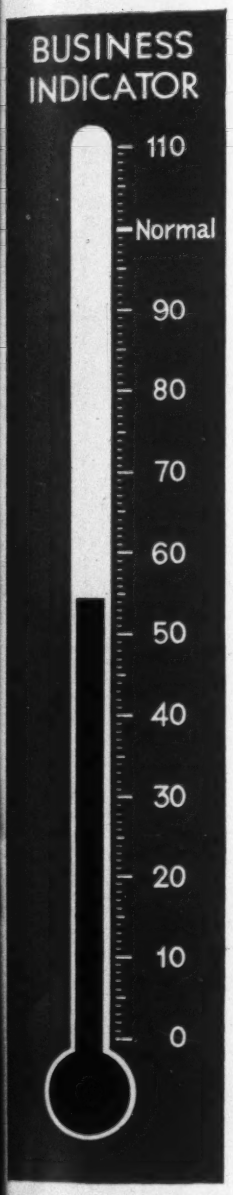
JUL 5 - 1932

JULY 6, 1932

THE BUSINESS WEEK:



The first half year finishes off with security markets and most trade indicators apparently settling for a long summer siesta from which the political fireworks in Chicago and the Fourth of July speeches offer nothing to rouse them. . . . Indeed, during the dog-days immediately ahead we are promised the paradoxical spectacle of business shutting down till business picks up, which will be the neatest trick of the year. . . . Lausanne seems to be going the way of all conferences. . . . Steel output has receded further toward the ultra-microscopic percentages of capacity or total suspensions expected this summer; building contracts are declining even in the public works classification, and the recent improvement in electric power performance appears to be petering out. . . . Coal production and check payments have dropped to new low levels. . . . Bonds are sloshing about in a soft market, and the stock averages are hesitating at the bear market lows. . . . The unseasonally sharp rise in carloadings is encouraging, though interpreted partly as tax-anticipation traffic. . . . Despite this uninspiring picture of stagnation there is some significance in the fact that the general level of business activity, as measured by our index, has shown little change during the second quarter of this year, that commodity prices have been fairly steady for several weeks, that security markets have suffered no net loss in June, and that the volume of bank credit in the main money centers has been reasonably stable since March. . . . It may be that the storm has about blown itself out, and the time [illegible]build has come.

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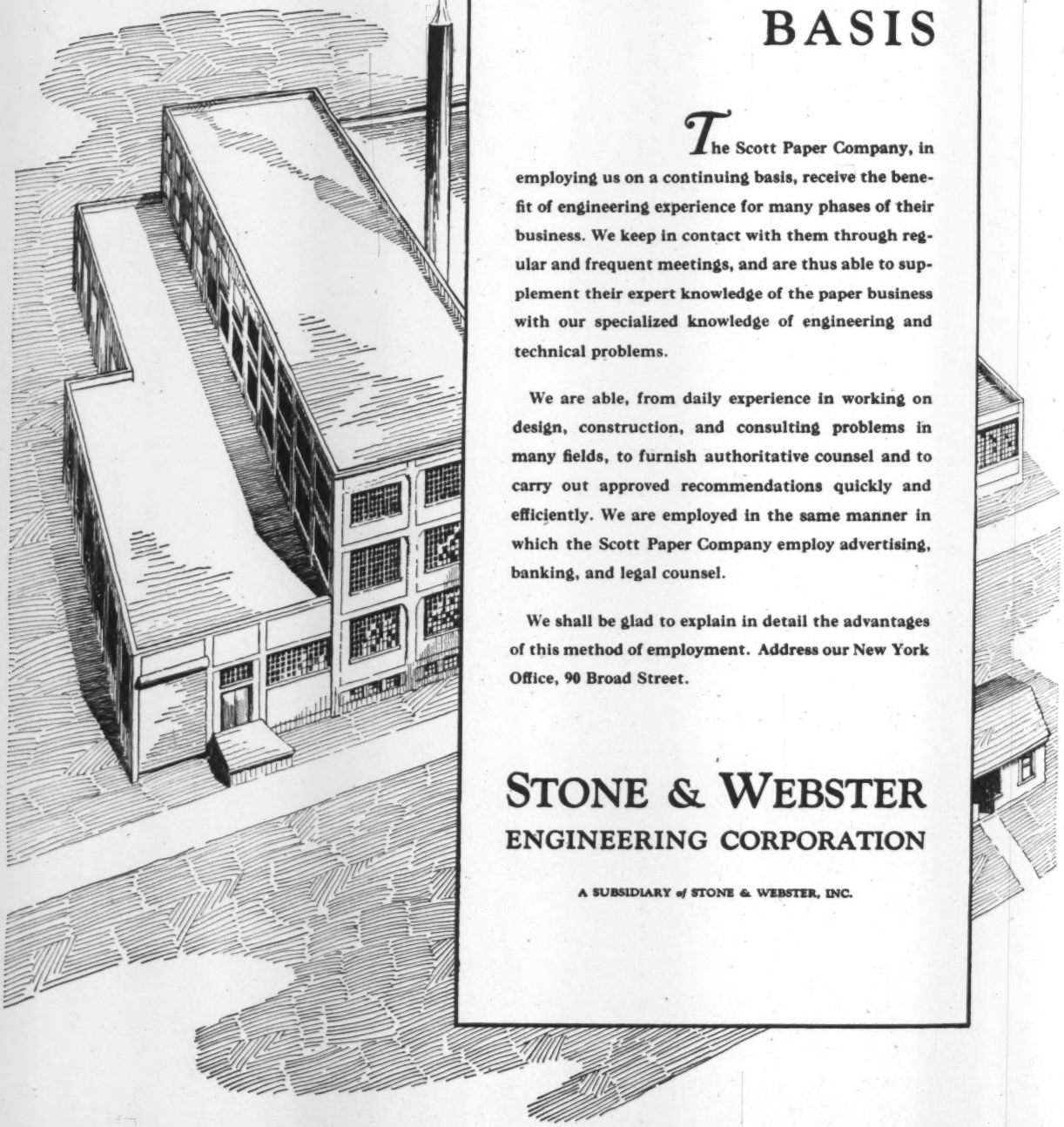

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This Business Week:

Foreign

As expected, the great Lausanne conference turns out to be a petty affair, with the politicians excusing their failure to face the facts by "waiting until after the elections in the United States." *(p. 3)*

Meanwhile, Germany's creditors meet in London to see what can be saved from the wreckage. *(p. 3)*

And Germany, having little to lose, keeps right on working on Russian orders, gets the Soviet business its creditors would very much like to have. *(p. 20)*

Copper from British mines in Africa used to come here to be refined for British consumption. Our copper tariff short-circuited that: Britain is to have its own refinery, perhaps its own tariff and Empire trade agreement. *(p. 21)*

In Germany, railroads, banks and shipping have come under state control. Now the government has taken hold of steel, and German business fears for its individuality. *(p. 24)*

Last minute British proposals at Lausanne do not mitigate disappointment over failure of the conference. Britain, especially, now looks to Ottawa; the rest of Europe waits for the storm. Cables promise a featureless immediate future. *(Survey, p. 25)*

Finance

Organized business is taking an active interest in the move for banking reform. The United States Chamber of Commerce prefers the present system to proposed Congressional remedies; the National Industrial Conference Board sees no good in it. *(p. 4)*

On the ground that current market values are unduly depreciated, state and national banking officials, state insurance commissioners, are likely to be lenient with banks and insurance companies in their semi-annual statements. *(p. 5)*

While Congress investigates million-dollar speculative pools, the New York Stock Exchange goes after the "pocket trusts," those 5 and 10 share packaged securities. *(p. 5)*

Chicago's banking difficulties go back to the Illinois laws against branch banking. *(p. 6)*

Marketing

More about our savings and investments. Part 11 of The American Consumer Market shows the rise of savings and their relation to the American family pocketbook. *(p. 14)*

That coffee for which we exchanged wheat with Brazil will be marketed slowly to avoid unsettling prices bettered by Brazil's policy. *(p. 7)*

Consumers are no longer the lavish and careless buyers they used to be. Dealers in consumer merchandise find that "loss leaders" are all loss and no leaders as buyers pick the bargains and leave the rest. *(p. 9)*

Men are the drug stores' best customers; women, their best prospects, according to the National Drug Survey recently completed by the Department of Commerce. *(p. 6)*

Makers of plated silverware are using the manufacturer's tax to raise prices enough above dime-store levels to regain quality trade. *(p. 8)*

Rayon is again involved in a price war brought on by excess stocks, dull trade, not uninfluenced by the demoralized silk market. *(p. 8)*

Columbia Phonograph sends a record-of-the-month to keep up purchaser's interest. *(p. 8)* Wanamaker's is selling golf goods through golf professionals around New York. *(p. 8)* Listerine has a plan to reduce its use as a "loss leader." *(p. 10)*

Oil

The gasoline marketing study by the Department of Commerce shows filling stations outnumbered by garages, groceries, and gift shops. However, the next Census of Distribution may see filling stations selling groceries, gifts, and maintenance. *(p. 11)*

Production control has won a great victory in California, and crude is up to a dollar a barrel. With Standard's threat to drop the price again if quotas are exceeded, producers are likely to be good. *(p. 12)*

Paint

White lead's old supremacy as a paint ingredient was threatened by zinc oxide, then lithopone. Now comes titanium oxide with great covering power and resistance. It's a mystery metal. *(p. 12)*

Tin

In spite of a tight international production agreement, tin prices have fallen off. Not even the best production control can keep up with falling consumption. *(p. 12)*

Wheat

Statistically, wheat is strong, but crop reports fail to move prices upward against the general trend. *(p. 19)*

Figures

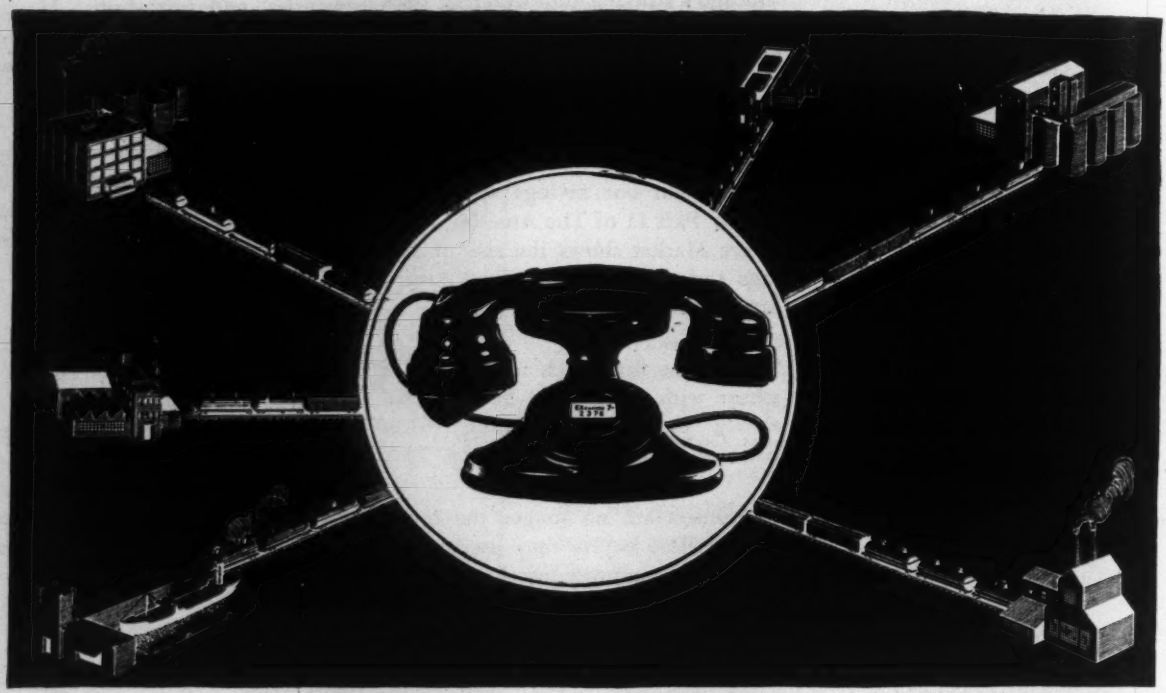
Summer sluggishness has hit already depressed indicators. Steel mills prepare for shutdowns. Automobile and structural requirements begin to taper off. June may suffer first decline in construction this year. *(p. 28)*

In this issue:

"More About Savings," Part 11 of The American Consumer Market

"We save money by using *Long Distance*"

SAYS THE PRESIDENT OF GENERAL AMERICAN TANK CAR CORPORATION



The General American Tank Car Corporation builds refrigerator, tank and other special railroad cars, and rents them to shippers for stated periods. Demands for cars often come on short notice, making it necessary to assemble them quickly from many points throughout the country. Long Distance telephone service is used in all phases of the company's activities: engineering, manufacturing, selling, traffic, collections, accounting and administration.

MANY of the companies which are successful under today's unusual conditions count Long Distance as one of their important . . . *and most economical* . . . business-building aids. Among them is General American Tank Car Corporation, whose record through recent trying times has attracted wide attention.

"Our business is founded primarily on service to customers," says the President of this company. "Without Long Distance, we could not give satisfactory service. Consequently, it has become an integral part of our business.

"Long Distance helps keep operating expenses at a minimum. We use it constantly to save money. The vital information which it gathers quickly from many points, the hours it saves in getting things started, the helpful, friendly contact it brings with our customers . . . all have an actual dollars-and-cents value which cannot be ignored."

Let a representative of your local Bell Company show you how the *planned* use of Long Distance brings results at low cost. He will gladly help you develop a telephone merchandising plan which is custom-fitted to the requirements of *your* business. You incur no obligation.

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From	*To*	*Day*	*7 p.m.*	*8.30 p.m.*
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New York	Montreal	1.65	1.40	.95
St. Louis	New Orleans	2.35	1.95	1.30
Washington, D. C.	Chicago	2.55	2.10	1.40
Boston	Grand Rapids	3.00	2.45	1.65
Denver	San Francisco	3.75	3.00	2.00

JUST CALL YOUR BELL TELEPHONE BUSINESS OFFICE

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 2, 1932

Lausanne Turns Out to Be Inconclusive, Dawdling Affair

Our elections give convenient excuse for avoiding admission of final rupture

FRANCE, even with a far more liberal government, is still clinging to the demand that Germany must admit that reparations will be revived when the economic structure has been righted. And the French want to salvage as much as possible of promised reparations by working out a scheme of more "in kind" payments. French security is behind it all.

Germany has said flatly that she will pay nothing more—ever.

That is all that the first 2 weeks have brought at Lausanne. What is ahead?

There can be only a guess, and even the most avid onlookers are tired of guessing. Business, after waiting too patiently but not too hopefully for more than 6 months for the conference to meet, has finally drawn these deductions:

The French and the Germans will probably not be able to arrive at any agreement on how to end reparations (to meet German demands) without admitting that they are ended (to meet French demands).

Will Await Election News

So, the French will suggest that perhaps it will be better to postpone any further attempt to arrive at a decision until it is known what can be expected from Washington after the elections in November.

Great Britain will then insist that something constructive must be started, so there will probably be a committee to work out a scheme for reducing reparations to totals small enough so that the Germans can agree to accept them, and yet tangible enough so that the French will save their political faces. And these may be made conditional on the agreement that the United States accept a proportionate write-down of war debts. So long as the negotiations continue, there will be continued requests for extension of the moratorium. This, of course, could go on for some time.

More disconcerting is the possibility of a political upheaval in Germany which would in the meantime bring the whole reparations problem to an end.

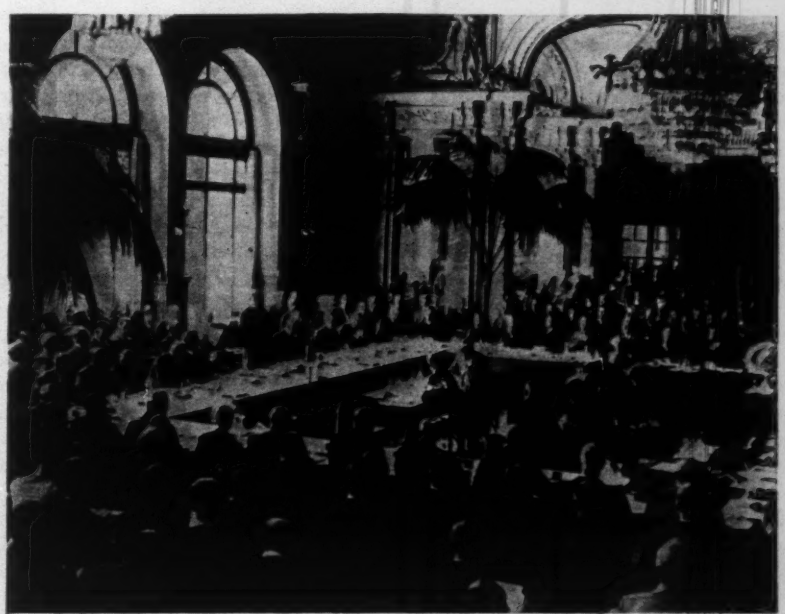
The Lausanne conference (where decisions of first importance were to be made, probably ending reparations and war debts) is turning out to be just the sort of unsatisfying affair that most persons expected it to be. It has dragged on for more than 2 weeks now and nothing has come out of it. There is still the possibility that some leader will step in with sufficient backing and initiative to change the entire trend of thinking. It is more probable that the whole conference will dawdle along in a series of postponements, blamed on the necessity of "waiting to see what the elections will bring in the United States."

A 3-cornered problem must be ironed out before the much-discussed conference can begin to arrive at results. The 3 parties involved are the United States, France, and Germany.

The United States is not even attending, but a stubborn Congress at Washington timed a reiteration that it will not consider any prolongation of the Hoover moratorium, much less any discussion of cancellation of war debts, so that European delegates bound for the Swiss debating ground had last-minute reminders to influence them in their bargaining.

Germany Again Faces Short-Term Creditors

NEARLY a year ago, and just after the announcement of the Hoover moratorium, Germany's creditors for nearly $1.3 billions of short-term credits got



International News

PALMS AND PAYMENTS—*Under the crystal chandeliers of the Hôtel Beau Rivage at Lausanne, European chiefs began debt negotiations as statesmen, ended up as politicians. Here Premier MacDonald of Great Britain, mediator between France and Germany, addresses an early session*

together at Basle, Switzerland, to see what could be done about payment of interest and meeting of maturities by the Reich. The German crisis was obvious. It was a matter of trying to salvage the principal by freezing the credits of all of the lending countries instead of allowing a wild competitive scramble to get them out which would have completely wrecked Germany financially.

This week representatives of the 11 creditor countries are meeting in London to see if they can ask Germany to meet any part of the $1.1 billions still due, to consider fresh German demands for lower interest rates in the case of several of the loans. There had been hopes that the Lausanne conference would have reached some agreement lowering, possibly even cancelling, reparations, but these hopes are blasted now.

This creditors' meeting is a part of the regular plan formulated last February when the "standstill" agreement was extended for 1 year (*BW—Feb3'32*). There will be one each 3 months to take up problems which have arisen in the interim. This meeting is likely to result in few significant developments. By October, when the next meeting is called, there may be important changes in Germany which will demand careful attention.

Business Joins Consultation On the Ills of the Banks

Chamber of Commerce opposes Congressional remedies; Conference Board asks compulsory unification

NATIONAL organizations of business men are taking a more active interest in proposals for banking reform, evidently preparing to play a part in whatever Congress may do in that direction in the next session. Discussion of banking legislation appears to be developing into a three-cornered conflict among bankers, business men, and Congress.

The United States Chamber of Commerce has had a committee, composed of a banker and a business man from each Reserve district, considering the banking bills pending in Congress. The committee's report, issued this week, will be submitted to the usual referendum of Chamber members. It is opposed to almost everything proposed in the pending bills for improvement of the banking system.

Scoffs at Price Control

It denies that Federal Reserve and Treasury policies can determine general commodity price levels as directed by the Goldsborough bill, which it condemns. It opposes any form of guarantee of bank deposits, the divorce of security affiliates of banks, restriction by the Reserve Board of access to federal reserve credit for speculative purposes by member banks, greater centralization of control of member banks in the Reserve Board, prohibition of loans for others, concentration of responsibility for open-market operations.

The report proposes that control of rediscounting for speculative purposes be left to the local Reserve banks with right of appeal to the Reserve Board; suggests that security affiliates be subject to regulation of federal banking authorities, be denied the right to sell stock of affiliated banks or of the security company itself but be permitted to borrow from member banks.

Would Oust Treasury

It recommends elimination of Treasury representation on the Reserve Board, careful restriction of power of removal of bank officials by supervisory officers, establishment of a federal corporation to liquidate closed banks, specification of minimum capital for national and state member banks, statewide branch banking for both national and state banks under federal supervision, and encouragement of group banking under proper federal regulation.

This expression of business opinion on the banking problem is mainly negative and reflects chiefly the financial rather than the business point of view. The National Industrial Conference Board, representing primarily industrial opinion, has issued a report on the banking situation which vigorously attacks the "heterogeneous structure and organization" of our banking system on the basis of a careful study of experience in the past few years, and comes out boldly for unification by compulsion under federal control. In this respect it supports the policy for which the Reserve Board stands and goes a step farther than the Glass bill itself. It is the first definite expression of dissatisfaction with the defects of the banking set-up by an organized business body, and is especially significant because the Board rarely takes an outright stand on any public question and has never done so on any financial issue.

Acme

AN OLD GRAD—*Once a year the photographers get a shot at J. Pierpont Morgan, who faithfully marches in the annual alumni procession at Harvard*

N. Y. Savings Banks Never Pass Dividend

CREDITING depositors with $47 millions of interest July 1, the 146 mutual savings banks of New York State called

attention to the fact that no one of them ever has failed to pay a dividend since its founding which, in some cases, means for a century.

The Bank for Savings, since 1819, has paid $187 millions in dividends to its depositor-owners. The Bowery Savings Bank, largest of all, made its 216th payment. Five others have unbroken records for 100 years.

The oldest account is in the Bank for Savings. In 1819, a depositor put in $10, and in 1820, $5 more. There never has been another deposit or withdrawal, though the heirs have kept the account alive. It now is $3,100.

Banks, Insurance Companies Hope for "Intrinsic Value" Rule

They rather expect leniency from officials who call for June 30 condition reports

STATE and national banking officials as well as insurance commissioners are inclined to cooperate with these financial institutions in dealing with some of the bookkeeping difficulties that confront them as the fatal time for semi-annual statements approaches.

For national and Federal Reserve member banks, there has been no call for a condition report since Dec. 31, 1931, but it will be necessary for the banks to cast up accounts June 30, and for national banks at least once more before the end of the year.

Two States Acquiescent

The New York and Pennsylvania banking commissioners have already indicated that rules for evaluating their security assets will be liberal, on the assumption that current market values are unduly depreciated. Investments and securities held against collateral loans may be carried at "intrinsic value," unless bonds are in default, when they must be carried at market value if "intrinsic value" is not above the market. Since nothing has any intrinsic value at any time, this amounts in practice to permission to assign some hypothetical price to security assets which represents what they might reasonably be expected to sell for at some future time, under more normal conditions. Although the Comptroller of the Currency has not definitely indicated that he will apply the same policy, it is expected, or at least hoped, that he will follow the practice of the state officials.

The problem of dealing with defaulted bonds may offer some difficulties, despite the liberality of the rule. As of June 15, according to the Dow, Jones compilation, the grand total of bonds in default on principal or interest or both, is $2,141,772,460. Of these 28.4% represent industrial issues, 28.3% real estate, 26.8% utilities, and only 16.5% rails.

More liberal policy in writing down security assets may improve some of the bank earnings statements this year. Figures for all member banks of the Reserve system for 1931 just issued make a poor showing for the theory that banking is profitable in fair weather or foul. They paid almost as much in dividends, $335 millions against $371 millions in 1930, but whereas their net earnings in 1930 were $306 millions, almost enough to pay dividends that year, in 1931 they were only $12 millions, which averages about $1,500 per member bank. Net profits averaged about 20¢ per $100 of capital as against $4.56 the year before, and for national banks alone there was a net loss of $1.47 per $100 of capital funds.

This poor performance was principally due to the large losses on loans and investments charged off. In 1931 these losses amounted to $620 millions as against $365 millions the year before, and were about a third of the gross earnings.

Insurance Men Lenient

State insurance commissioners in convention at Chicago have recommended to themselves adoption of a similar policy as regards evaluation of bond holdings of insurance companies, but have taken no action about stocks. Their most difficult problem is the position of casualty companies in connection with workmen's compensation insurance, in which by resolution the commissioners declared an emergency exists, and need for rate increases is indicated. As result of the depression the number of employees has declined and wages have decreased, cutting revenues because premiums are based on payrolls. At the same time the tendency toward malingering among workers has increased. The stock companies have been especially affected and want a 25% rate increase.

Heavy Compensation Losses

Underwriting losses of companies writing workmen's compensation have persisted almost unbroken for some 21 years. In 1931, net losses amounted to more than $23 millions, only slightly smaller than that of surety companies which ranked first in amount of losses. Premiums written have placed this branch of insurance at the head of the casualty lines at various times in its career, and even in 1931 it ranked second only to automobile premium volume.

The difficulties incurred in meeting losses year after year became more apparent when not even the investment of reserves could show a profit. The steady increase in losses is laid to the increasing mechanization of industry, the liberalization of awards, and more recently to the malingering of injured employees, and reduced premiums following upon smaller payrolls without any proportionate decrease in benefits conferred. The experience of the last 2 years has further exposed the faults of basing premiums upon payrolls, and efforts continue to discover a more stable basis of computing rates. In the meantime, it is expected that the substantial rate increase recommended will be generally adopted. Mutual companies protested the increase as being excessive in view of the increase made in 1931. Moreover, the increase was not first approved by the National Council of Workmen's Compensation Insurance.

After the Pools of '28, The Pocket Trusts of '32

ADD to the ironies of depression the fact that, while Congress investigates speculative pools flooded with millions by the big operators of 1928, the New York Stock Exchange is grilling vendors of "pocket trusts" for the "peanut" investor of 1932.

Scaled down to the taste of such investors and barbed to catch the disciple of "diversified investment," the "pocket trust" consists of a package, usually made up of 1 to 5 shares of the common stock of each of from 15 to 25 companies. Buyers of such packages ordinarily pay the round lot price of each share plus the odd lot differential plus transfer taxes plus a minimum charge on the shares of each company involved in the offer.

These pluses often total up to 40%

of the quoted price of the shares included and the addition of another 40% on resale means that the purchaser must be rewarded by an 80% net gain in his stocks if he is to come out whole. And there haven't been any 80% advances on the big or little boards recently.

State officials have been among those most interested in the pocket trust. They have been reading over descriptive literature put out by the vendors of these surprise packages and picking out some of the surprises—concealed charges, excessive commissions, colored facsimiles of the stocks entered in the miniature portfolios. The Public Service Commission of Wisconsin has ordered the suspension of any licensed broker found selling pocket trusts of this type. New York's state attorney-general has issued a warning against colored facsimiles coupled with strong criticism of overloading. Finally, the New York Stock Exchange has just ruled against the association of its members with the sale of any pocket trust that is priced at less than $500, includes less than 5 shares of the stock of any one company, provides less than reasonable diversification, and carries charges amounting to more than 10% of the round lot prices of the shares thus packaged.

Chicago Pays Another Instalment On Rugged Banking Individualism

CHICAGO is paying another heavy instalment on its bill for preserving rugged individualism in the banking field. In a week, 24 banks closed there, raising the total for the country to 42, while 5 reopened.

No one of the institutions that shut their doors in Chicago was big, but some of them were what might be called the larger of the smaller banks—neighborhood institutions that withstood successfully the first epidemic of failures.

A Trial Starts Trouble

Apparently the runs were prompted by disclosures of the practices of the owners of a chain of small banks, who are on trial for various misdeeds such as loaning to personal and political friends without security. Depositors in these banks were unable to meet payments on mortgages, etc., due to other banks, and news of this embarrassment created new runs.

Besides the difficulties created for merchants and manufacturers whose funds are tied up in the closed banks, the public excitement has caused runs on downtown banks, and a local revival of hoarding. Much of the $53-million increase in currency outstanding is said to have been swallowed up in the Chicago district.

The run on the Central Republic sent its chairman, General Dawes, briskly around to the R.F.C., which obliged its former president with a loan of $80 millions. Other banks pledged some $15 millions, whereupon the testy general announced publicly that his bank stood ready to pay out all deposits if necessary. Republic's deposits were $95 millions.

Illinois is one of the small handful of states in which rural and neighborhood bankers have been powerful enough to block all legislation intended to permit branch banking. Even the huge banks in the Loop have to confine their business to one building. Outlying business men have to take the long trip to the middle of town or use one of the independent neighborhood banks. Some of these grew to considerable size, but, hardly big enough to handle financing for the strongest corporations, they were forced to seek investment to a considerable extent in real estate. Now they are in trouble.

There were 225 banks in Chicago in 1929; now there are 72—or there were 72 at a last-minute count.

Where Was the R.F.C.?

Just where the Reconstruction Finance Corporation was while this last string of banks was popping, puzzles many observers. The R.F.C. says nothing. Apologists for it say the banks that closed had no assets left that were acceptable to the Corporation. Critics remark that they had supposed the R.F.C. was created expressly for the purpose of taking over slow and even dubious assets, in order to check bank failures and prevent the spread of public alarm. It had been supposed no bank would be allowed to fail, at least not in any critical spot.

Federal Reserve figures put closings for May at 77, against 71 in April and 87 in May of 1931. Deposits tied up in May, 1932, were $36 millions, in May, 1931, $54 millions. For 5 months, closings numbered 660, with deposits of $376 millions, against 516 for the same period of 1931, involving $244 millions.

Reopenings in 5 months have numbered 142, with deposits of $85 millions; same period last year, 168, deposits $47 millions.

In Illinois, 94 banks closed in 5 months of this year. Iowa was next with 50. Missouri had 47 suspensions.

Women Are Still Worth Druggist's Best Effort

DRUG stores which have been directing their advertising and sales appeal chiefly to women will probably not make many changes as a result of the latest finding of the National Drug Survey, published last week, that men make up the majority of the drug store's customers, supply the larger part of its sales volume.

This survey, recently completed in St. Louis, whose drug store operations have been subjected to laboratory studies by the Department of Commerce in cooperation with 33 national trade associations (*BW—May4'32*), also found that women were potentially the best customers.

They spend a larger average amount than men, are interested in a greater range of drug store merchandise; men stick closer to the fountain and the tobacco counter. They are more frequent purchasers of "impulse merchandise" on display. They do more shopping around, as shown in the St. Louis record of multiple sales (11% of the women customers, only 9% of the men, purchased more than one article on a single visit).

And one significant reason why women are not a bigger factor in the drug store's business is that department stores now capture a large share of their orders for cosmetics and sundries—sometimes because department stores sell through women, whereas the drug clerk is usually a man, sometimes because department stores use such articles as loss leaders.

Druggists who have been thinking these things over suggest that the trade will find it profitable to continue to make extra appeals to women and can probably do so without interfering with the present business done with men.

However, the St. Louis survey report suggests that if sales to men are so definitely predominant at drug store fountains, fountain nomenclature might profitably lose its schoolgirl complexion.

Farm Board Coffee Will Drip Slowly Into Market

Slowly enough to prevent prices from weakening, says exchange executive in charge of the job

A SHOWDOWN on a major experiment in government price control is imminent. Frank C. Russell, of New York, has been named by the Grain Stabilization Corp. to unload as painlessly as possible the 1,050,000 bags (132 lbs. each) of Santos coffee swapped last August for 25 million bushels of Farm Board wheat.

The coffee trade had an attack of jitters when young Mr. H. C. Winans (his wife is Katherine Brush, novelist) got signatures to the agreement which he had suggested to the Farm Board (*BW—Sep2'31*). Since then brokers have become used to the threat, believe the coffee may be dribbled onto the market without cracking its back. The trade was cheered by the guarantee that business channels will be used for the distribution, is further encouraged by the appointment of a vice-president of the New York Coffee and Sugar Exchange to handle the job.

On Monday Mr. Russell was back in his New York office after a fast trip to Chicago during which plans for the sale were mapped out. He knows exactly how he is going to handle the deal; publication of details awaits a Washington O.K. Mr. Russell is unperturbed by his responsibilities. His firm occupies an ancient 5-story red brick building in an aromatic neighborhood near the docks. From a battered oak desk in the unpartitioned office he comments on prospects. No; he does not think the government coffee is anything to worry over. United States stocks are reasonably low. Sales can be spread over 16 months. The only danger is that Brazil, which controls supplies and prices, may start dumping. This is not likely as Brazil realizes the advantages of playing ball.

American statistics are favorable. On May 1, privately-owned stocks in the United States were 937,000 bags; in 1931 they were 1,088,000. We consume about 1 million bags a month. Of this, about 600,000 bags is Santos, the coffee in the government stocks. By agreement with the National Coffee Roasters Association, sale of the government's million bags begins on Sept. 1, ends Jan. 1, 1934. Each month 62,500 bags may be released, or 10% of requirements. At this average, sales may be cumulative, more some months, less during others according to the strength of demand.

The coffee is at the Bush Terminal in Brooklyn where buyers can sample it. Each shipment was inspected before leaving Brazil. The Terminal took its pay in coffee. To cover this, shipping and insurance costs, Brazil sent 225,000 bags in addition to the government's million. The Bush coffee has been sold at the rate of 10,000 bags a month since Sept. 1.

What Profits, If Any?

It is too early to speculate as to how the government will come out on the barter. At the time of the Russell appointment, coffee prices had risen over August quotations to show a paper profit of $2 millions, wheat prices having remained almost unchanged. Final figures in 1934 may show something else.

Brazil reassures by announcing that she is going to continue her burn-and-dump campaign. By June 18 she had destroyed over 7 million bags. An equal amount has been purchased for elimination. The plan contemplates destruction of an 18-million-bag total. American consumers are informed that this is all low-grade coffee, unworthy of their percolators. The government's National Coffee Council takes the opportunity to raise the standard of the product while removing a troublesome surplus. The destruction soon will be in competition with the new crop which now is being gathered.

Acme

QUICK LUNCH EN ROUTE—*The London & North Eastern has installed a lunch counter (buffet, in Britain) on one of its London–Cambridge trains*

Eastman Trades Up To the Expert

EASTMAN KODAK CO. lured millions into photography by producing a simple, foolproof camera at a low price. This primary education was so effective that many amateurs graduated into skilled photographers who demanded more efficient equipment. Recognizing this trend, Eastman recently acquired the Dr. Nagel Works, Stuttgart, Germany, will produce there a Continental type camera for the American market.

Sensitive, precision apparatus cannot readily be produced by high-speed mass methods. Buyers of this type camera

have hitherto sought European makes. Demand was insufficient to justify investment necessary in an American plant. The Nagel purchase enables Eastman to supply the higher-grade market at competitive prices. Five models will be offered; shutter speeds to 1/300th second and delicate adjustments will match the skill of the post-graduate addict. Distribution will be through authorized wholesalers and retailers.

Rayon's Price War Has a Silk Front

PRICE war has broken out again in the rayon industry, to the great concern of its cooler heads. Some effort has been made to put a good face on recent price cuts but the "constructive" interpretation does not sound very convincing to the trade.

Faced with stocks of 30 to 35 million pounds of yarns, which is two to three times anything the volume of business calls for, makers took the sensible step of curtailing production for the summer, and the illogical step of trying to force stocks into a lethargic market.

Tubize Chatillon Co., which has been fighting price cuts, for the first time in its history instituted one. Tubize said it was merely carrying out its policy of honest price lists; that business was being done below published lists, and it proposed to drive the facts into the open.

Whatever the motive, the new scale puts 150 denier rayon at 55¢, which is below cost of production save perhaps for the biggest producer, operating at the limit of capacity. All other makers immediately followed or cut under Tubize.

The demoralized silk market is blamed for some of the troubles of rayon. Neither rayon nor silk people like to refer to it as direct competition, but all the same there is a zone of price in which there is a certain amount of consumer switching from silk to rayon, or from rayon to silk. The price differential between silk and rayon has been narrowing pretty steadily. Comparing 150 denier viscose with "double extra cracks" grade of silk, for example, prices on June 15 of 3 years have run as follows:

1930: rayon, $1.20; silk $3.62. 1931: rayon, 75¢; silk, $2.20. 1932: rayon, 55¢; silk, $1.24. The differential thus has shrunk from $2.42 a pound to 69¢. It was even less until rayon's current price cut.

Columbia Tries Free "Record of the Month"

THE Columbia Phonograph Co. still has faith in phonographs, has devised new ways to merchandise records and stimulate their use.

From now on, its radio-phonograph combinations will be known as "radiographs." To keep up the customer's interest in the phonograph part, he will receive a "record of the month" every month for a year. This will be the latest thing in music, sent direct from the factory without charge.

Records themselves are now cut to give 60% longer running time on the same size disc.

Store Enlists Golf Pro To Boost Its Sales

GOLF professionals at country clubs are generally better performers on the links than behind the counter of their "shops" with the result that few manage to capitalize their opportunity to earn the merchandising profits which are readily within their reach. Sport shops and special departments in large stores have supplied a large share of the amateur golfers' needs.

John Wanamaker's New York store has decided that the golf professional's contacts with players can be made productive of many more sales. In an advertisement of commanding size it announces a hook-up with 60-odd professionals at Westchester County, Long Island, and New Jersey country clubs.

Golfing equipment made by favorably known manufacturers is offered at reductions from list prices ranging up to 60%, obtainable either at the Wanamaker store or from any one of the "pros."

New Flour Process Offsets Combine's Faults

BAKING, even in this day of the chemist, is more of an art than a science. For one reason, flour always has been a variable product, affected by the wheat seed strain, by the growing weather, and by the way the grain was harvested.

Bakers have had particular trouble since the coming of the combine. Instead of curing in the sheaf between harvest time and threshing, wheat on the great farms now is cut and threshed simultaneously, then rushed to market by automobile over concrete roads. Flours made from combine-harvested wheat have great variability in the dough room of the bakery. Size of loaf varies widely in bread made under a standard formula, and time of rising has to be watched; an hour more or less makes a vast difference in the loaf.

General Mills now announces that its research department has conquered these difficulties, has succeeded in producing a flour which is exactly the same at all times, and which has the baking qualities of flour produced from wheat weathered in the fields under old farming methods. In particular, the exact length of time the dough is left to rise is not critical. The tag "Ferm-A-Sured" is attached to established brands that have been processed by the new method. General Mills refuses to discuss the details of the process, or even to reveal its general principles. Food chemists suspect the diastase content of the flour is somehow stabilized.

Silverware Markets See Sales Gain in Price Boost

MANUFACTURERS of plated silverware are making the imposition of a manufacturer's excise tax the occasion for price increases that are expected to stimulate greater sales effort by dealers, start improvement in a line that has recorded drastic declines in volume.

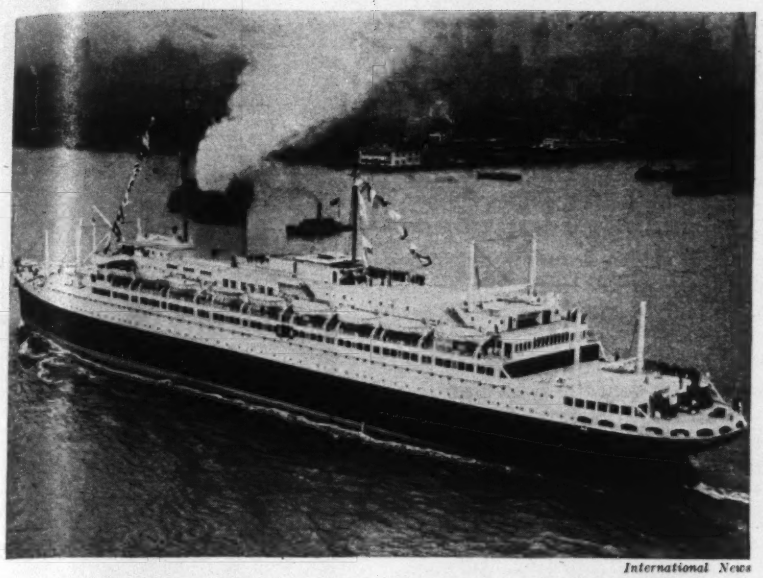
Prices have been at an extraordinarily low level ever since the bottom dropped out of the market for silver, while sales of plated ware have been seriously affected by the fact that sterling silverware has sold for but little more (*BW —Apr1'31*).

With makers of sterling ware increasing their prices from 10% up, to cover the new excise tax of 10%, plated ware manufacturers are going up 20% to 30%.

International Silver Co., largest manufacturer in the field, has announced advances on its 3 leading brands of plated ware, the 1847–Rogers Bros., Wm. Rogers & Son, and the Holmes & Edwards "Inlay" lines.

For instance, a dozen tea spoons, of leading pattern, heavily plated, retailing heretofore at $5.00 will hereafter list at $6.50. Other items in various patterns and grades are raised in proportion.

Retail jewelers believe that a bigger margin of difference between their prices and those of silverware sold by the chain variety and department stores will enable them to emphasize quality and exclusiveness more effectively, bring back lost trade.



International News

LARGEST CABIN LINER—*Even a landsman can recognize the "Champlain," newest of the French fleet, by her long, clear deck and smoke visor, as used in the French navy. Here, she enters New York harbor*

Keen-Nosed Consumer Is Uncanny At Smelling Bargains These Days

DEPARTMENT store officials everywhere report that their ingenuity is being taxed to the utmost with the problem of how to get operating expenses down to a point where they are covered by the gross profit on steadily shrinking dollar volume of sales. The problem is made harder by the fact that, due to the drastic drop in prices, the small dollar volume represents a steadily mounting total of transactions.

Manufacturers, wholesalers, and retailers fear goods will not sell unless they are cheap. So manufacturers have cut first their prices, then quality, then wages, without realizing that they were definitely undermining themselves. Many long-established retailers have disregarded reputation, traditions, and class distinctions to join in the general scramble for volume at any price.

In the last 4 months constructively-thinking merchants and manufacturers have attempted to bring back saner merchandising practices, restore a regard for quality and value, and drop emphasis of price (*BW—Feb17; Apr6; May4'32*).

There has been some difference of opinion as to who should lead the way. Manufacturers assert department store buyers and independent retailers are responsible for the persistence of the price declines, that whenever extraordinarily good values are offered to them they will immediately stage a cut-price sale in order to gain imaginary or at best strictly temporary advantage over a competitor. The latter in turn goes to the manufacturers who supply him, demands a line of goods with which to undersell. In the end no one makes any profit, and as a net result the quality of the merchandise and the price level on the entire line has been dragged further into the pit.

Retail merchants, department store buyers, and merchandise managers are among those who believe that the manufacturers must be the first to move in the direction of saner pricing and that they should adjust their policies so that everybody concerned can handle merchandise at least without taking a loss. They hold that if manufacturers were less greedy, and were satisfied with their reasonable share of available volume, prices could be brought back to satisfactory levels.

However, P. A. O'Connell, president of the National Retail Dry Goods Association, believes prices have not yet reached the lowest point. He traces price movements during the last 132 years to support his theory, and urges merchants to readjust expenses to fit obtainable smaller volume. He recalls that prior to the World War, stores operated at 20% to 25% of net sales, now require 30% to 35%. He urges better buying, reduced markdowns, better selling, and greatly improved efficiency in each department as the best means to prevent further losses. Supplementing this, he is actively promoting a return-to-quality campaign.

Meanwhile important department store executives from various sections of the country report significant observations. They have found that during the price decline of the last two years, Mr. and Mrs. Consumer have developed an uncanny ability to distinguish genuine bargains.

The hidden dollars of the frugal housewife are coaxed into the cash registers of retail stores only when 24-carat bargains are offered.

Spying Out Bargains

One owner of a department store, doing over $10 millions annually, stated that buyers in most of his departments are at a point where they have proposed to discontinue the advertising of exceptional bargains. They have found that out of a full page of advertising, Mrs. Consumer will unerringly pick the few small lines that represent the biggest value for the money. She will come and buy the one article and serenely pass up all the other longer-profit items which the merchandise manager had arranged to put temptingly in her way. Loss leaders have come to be merely that; they lead to losses, not to extra sales.

The experience is general among merchants. Chain stores in various lines, particularly in the food field, using loss leaders as an integral part of their merchandising policy (*BW—Jan27'32*), have noted the trend.

May Bring Reform

Experienced observers believe that this uncanny instinct of the consumer for true bargains, growing steadily more acute, may serve to force stores to abandon the prevailing type of loss-leader selling, and turn to balanced good values all 'round, if they wish to secure a satisfactory average mark-up on all goods sold. •

Now You Can Travel Anywhere on "Time"

INSTALMENT buying of vacation trips takes a forward step. First, Cunard, through the Morris Plan Banks, effected a part payment plan for voyages on its passenger-hungry steamers. Now the

United American Corp., 50 Broadway, New York, discloses a set-up for trips on any rail or ship line. Amounts to $300 are loaned. Chattel mortgages are security. The loan is retired through instalment payments which will usually run 12 months, sometimes 20 months. Interest charge is $16 a $100 a year.

Back of the new corporation is one of the large small-loan organizations with 460 offices in 25 states. Loans will be financed at the different offices through established tourist agencies. By using existing booking companies, the new concern avoids a costly national organization. It already has made its first loans.

Would Rescue Listerine From Its Popularity

LAMBERT PHARMACAL CO., makers of Listerine, are determined to rescue this product from the effects of its abuse as a retail loss leader. Most intensively advertised of all drug products, Listerine achieved the unhappy honor of becoming the favorite cut-price lure of chains and "pine boards" (*BW—Apr 12'32*). Unable to profit against this competition, independent stores in the zone of the price-cutters promoted sales of substitutes.

Now Lambert puts out a combination offer which will induce independents to push Listerine and allow chains to restore it as a profit item. The campaign offers consumers a $1-bottle of Listerine and a handsome re-fillable container for dressing table or travel use, at a combined price of 98¢. Company salesmen will instruct druggists in promotion technique. Other combination offers will be offered dealers who prove their interest by aiding the first drive.

Pullman Cuts Rate For 2 in a Section

THE I.C.C. wouldn't let the Pullman Co. charge 20% extra for two in a berth. Both can ride on one Pullman ticket if each has a railroad ticket. The company now offers a bargain to passengers who like to double up comfortably. They may buy a section for 160% of the lower berth rate when the lower only is made up. The regular upper and lower berth rate is 180% of the rate for a lower.

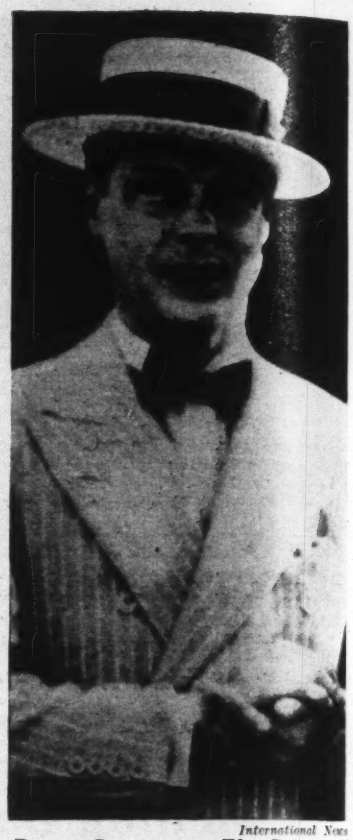
Between a few points, the Pullman Co. has offered a section to one passenger at 140% of the rate for the lower.

Heat, Not Mere Footage, Now N. Y. Gas Rate Base

NOT many years ago, the city of Buffalo had a bitter rate fight with the Iroquois Gas Co., a Standard Oil offshoot, which presented testimony to show that its supplies of natural gas were rapidly approaching exhaustion, and that therefore it must begin to supply a mixture of natural and artificial gas, at a higher rate, of course, and for a leaner gas. The city lost.

Now there is so much natural gas, such are the wonders of nature, that the Standard Oil interests are planning to supply Syracuse and various other communities in New York State, also from the fields in Western New York and from those just across the line in Pennsylvania.

This expansion will be greatly accelerated, it is forecast, as a result of a decision just handed down by the N. Y. Public Service Commission which permits gas rates to be based henceforth on British thermal unit content instead of upon cubic feet. Syracuse Lighting Co. refused to accept the gas supply from the Standard Oil–Columbia Gas interests, which had laid a 100-mile pipe line to the city's edge, until assured by the commission's decision that it would not have to sell the rich natural gas for the same rate as the leaner artificial product.



International News

ROYAL SALESMAN—*The Prince of Wales, wearing the "boater" straw which stricken British hatmakers hope will thus be restored to its old-time popularity*

"Wageless" Vacations Help To Keep Payrolls Down

"VACATIONS of 3 or 4 weeks and even longer will be the rule this summer for more employees than ever before."

But hard upon this cheerful note introducing a Merchants' Association survey of the vacation policies of that cross-section of American industry represented by 273 New York companies follows a sour one:

"Unfortunately for the employees, the longer vacations will frequently be taken at reduced pay or without any pay at all."

Owing to business conditions, more than 25% of the companies have changed their vacation practices since 1929, most of them to cut payroll expenses, some to eke out the production of sadly depleted forces.

Of 273 companies reporting, 265 will give vacations to their salaried employees, 8 will give no vacations at all. Of 115 employing hourly workers, only 65 will schedule vacations.

Data supplied on vacation pay policies show that 218 companies will allow full salary for salaried workers on holiday; 4 will pay two-thirds salary; 22, one-half salary; 1, one-third salary; 15 will require employees to take vacations without pay. Vacationing hourly workers will receive full wages from 36 concerns, half-pay from 11, no pay from 10. In 16 of the reporting companies the fractional wage basis is reached by requiring employees to extend vacations at their own expense. And 115 reporting companies expressed their willingness to let workers take extra time off the payroll.

Some Special Changes

Among individual changes in policy noted, 3 companies substituted Saturdays off for vacations, 1 eliminated vacation pay of unmarried workers only, 1 raised minimum service requirements fixing eligibility for vacation, 1 applied "wageless" vacations and extra time off only to "less valuable" employees.

Reports from other parts of the country confirm the impression that this summary of New York's changes in vacation policy reflects what is going on throughout all industry.

Gasoline Market Survey Shows Filling Stations in the Minority

All kinds of stores sell gas, but marketing trend is toward pump control and better stations

NEXT to cigarettes and chewing gum, gasoline enjoys perhaps the widest distribution of any product consumed in this land of free air. Almost everyone sells it. Grocery stores, restaurants, drug stores, furniture stores, lumber yards, crossroads emporia, all crank pumps and collect taxes.

There are, to be sure, quite a few filling stations in the business, but they constitute less than 40% of the retail outlets for gasoline.

This and other valuable information is contained in a preliminary report, part of the comprehensive study of the petroleum industry being prepared by the Department of Commerce from figures collected in the Census of Distribution of 1929.

According to the report, there are (or, rather, were in 1929) 318,000 retailers of gasoline in the United States. Of these, 122,524 (38.5%) are filling stations; 62,486 (20%) are garages; 43,892 (14%) are car dealers.

The remaining 28% is non-automotive, includes 38,530 general stores; 34,455 food stores; 3,568 restaurants; 2,085 hardware stores; 1,763 farmers' supply stores; and 3,748 drug stores, furniture stores, lumber dealers, and gift shoppes. In addition, there are such wholesale tank stations as peddle a little retail.

Figures are for the number of retail outlets; the comparative volume handled by the various kinds of outlets is not given. Therefore, the filling station operated by the dining car at the busy suburban cross roads is probably listed under "restaurants," although in sales volume the gasoline sideline may wag the dog-wagon. Then, too, data were gathered in the mad, glad days of '29 when there was a car in every garage and anybody on a road could start a station.

Nevertheless, the report reveals all too plainly what is the matter with the gasoline business. The industry is suffering from pump troubles: Too many pumps at the fields, too many pumps at the curb. Both kinds pumping off profits as well as gas and oil.

Overproduction is being solved in the fields. California has licked it (with the potent aid of Standard Oil). Oklahoma has called out the militia. Texas has its railroad commission.

Marketing remains a problem. Oil companies are wondering whether they are working with service stations or comfort stations. Many have decided they are in the automobile maintenance business, that the way to sell gas and oil is to keep cars rolling on the road.

Production is a science. Marketing, to quote the lively and progressive *National Petroleum News*, is *terra incognita*. "We don't know whether a cut price . . . or some good hot dog sandwiches will turn the trick."

Room for Improvement

There are indications that oil marketing is due for improvement. Last fall, Standard of Indiana stepped on the self-starting service station racket, discontinued loaning and leasing retail distribution equipment (*BW—Aug 5'31*). This was the beginning of the end of the competition for retail gasoline outlets.

In this expansive era, the advent of "Blue Blazes" gas on one street corner was quickly followed by "Red," "Yellow," and "Green Flame" gas on the other corners.

Since then, some of those 2-car garages mentioned in a keynote speech of other days have been emptied. The industry has changed its mind about the necessity of offering the motorist his choice of 4 brands every time he bought 5 gallons.

Today, there is a movement afoot to reclaim some of the oil sales lost when the motorist slipped off the 500-mile standard. In more prosperous times, it was easy to keep up the theory that oil should be changed at regular —and frequent—intervals.

Enter the Villains

Came oil filters, crankcase ventilation, viscosity meters, and offers of oil that would last 2,000, 3,000—yes—5,000 miles. Came, too, and this was rank heresy, a theory that oil need never be changed if filtered and kept up to level and viscosity by the addition of heavier oil now and then.

In the last, oil companies say there is a point of diminishing returns when draining and refilling (with assurance of adequate lubrication) are as cheap as constant replenishment of used oil. While the industry doesn't really hope to get back on the 500-mile standard, it is only fair to say that even fleet operators, with laboratory facilities, have been unable to run indefinitely on the add-a-quart basis.

To keep up gasoline consumption,

Wide World

AIR-COOLED—*Krupp's new 4-cylinder motor is air-cooled; design was simplified for ease of maintenance. Much aluminum is used in its construction. Cylinders are horizontal, mounted crosswise*

with admitted thousands of cars withdrawn from circulation, the major companies are publicizing the open road extensively. Most issue road maps at least annually. Standard companies put out a monthly travel paper, outlining tours, warning of detours.

Standard of New York is experimenting with super-service stations, company-owned and manned, which not only sell gas and oil and lubrication, with the usual rest facilities, but which call for and deliver cars by motorcycle, do wash and wax jobs, and perform many maintenance operations like tightening engine and body bolts.

In Ohio, Standard Oil has built a glass and steel service station in the modern manner to try out designs with a view to future standardization.

Certainly the trend is toward bigger and better, if fewer, service stations, built especially for the encouragement of gasoline and oil consumption. The Census of Distribution of 1939 may find many filling stations selling groceries and table d'hôtes.

Production Control Brings California Dollar Oil

CALIFORNIA crude is a dollar a barrel. Prices are up for the first time in a year. Oil producers have hoped for higher prices to offset the curtailed production necessary to balance declining consumption. Successful curtailment has made them possible.

California's curtailment plan (*BW—Jun8'32*) aimed at voluntary control administered by committees representing producers, oil interests, and the public. Quotas were raised 20,000 bbl. a day to a total of 476,700 bbl. a day. Actual production was then over 500,000 bbl.

The general committee asked for higher prices, believing that smaller producers could not stay in business or keep agreements at the prevailing rate. Standard of California, largest buyer in the state, offered to raise prices 25¢ a barrel, providing complete control were effected, every field within its quota.

Twice this offer was extended. The state total was well within the limit, but Long Beach and Huntington Beach fields were reluctant to reduce the flow. Finally, the conditions of the offer were met, these fields fell into line, and Standard raised the price with the warning that all bets were off if any field exceeded its quota. Other oil buyers followed Standard. Retail gasoline prices, notoriously low in California, jumped 2½¢ a gallon.

Titanium "Goes Further" In Paint and in Market

SALES of titanium oxides are increasing steadily, and capacity of the industry is being increased by the construction of new plants. At the same time, the sales of paint materials in general are declining. Nothing could more strikingly bring out the fact that titanium is making great inroads upon the markets of the other basic paint pigments, white lead, zinc oxide, and lithopone.

This is part of the revolution in the paint industry that has included the introduction of new synthetic oils, and the development of lacquers that have cut into varnish sales.

Titanium oxides are produced by Commercial Pigments, which is a merger of the DuPont and Commercial Solvents interests, by the Vanadium Corp., and by National Lead Co. Vanadium Corp. has a new plant at Piney River, Va., not yet in full operation. National Lead is about to build an additional plant. Perth Amboy, N. J., was the site first selected, but this decision is likely to be altered.

For many years, white lead was the only white pigment, and still is used in greatest volume. Next in point of time came zinc oxide. Lithopone, a zinc compound, follows in seniority, but has passed zinc oxide in volume. Titanium oxide is youngest. Figures as to its total production are carefully guarded. Best estimate is that they still are small as compared with white lead's half billion pounds in 1929, but doubling yearly.

Still a Secret Process

More or less secrecy surrounds the whole titanium industry. The sources of supply in this country are Virginia and Florida. Visitors have not been welcome at mines, and even the technique of mining titanium ore never has been described.

The pure metal is both rare and unimportant. As an alloy in steel making, titanium has some use. But the ores from which oxides may be produced are plentiful—titanium has been estimated to be more abundant than copper, zinc, lead, tin, or manganese.

The great virtue of titanium oxide as paint pigment is its covering power. Expensive by the pound, it is inexpensive in square feet painted. It is highly elastic, in fact needs the addition of zinc oxide or lithopone as hardener. It resists attack from the impurities in city air, full of sulphuric acid, sea air, and even salt spray. It is brilliant white, and non-poisonous.

As long ago as 1870, a British investigator painted ships' bottoms with titanium paint. American patents were granted in 1916, and National Lead pioneered in Niagara Falls in 1917.

Tin Tries to Overtake Tobogganing Demand

CONSUMPTION, and prices, can fall faster than budgets can be made. Many a modest business man has discovered this during the past year. Governments, signatories to the tin restriction plan, have discovered the same thing.

There has been a tight agreement to restrict the production of tin ever since the early part of last year. The Federated Malay States, Bolivia, the Dutch East Indies, and Nigeria enforce the agreement through governmental action. The agreement was to cut production by 22% of the 1929 figures. At the beginning, prices rose and visible stocks declined. But consumption kept declining and small producing areas outside the agreement were stimulated into larger production. Stocks rose, prices fell. So new cuts were ordered.

Again output is to be restricted. By a plan just announced, effective July 1, no tin will be marketed during the months of July and August, and the 2 months' output thereafter will be fed out at the rate of 10% a month for 10 months. New and lower quotas are established at 54,056 tons. This is 17,000 tons below existing quotas, and is one-third of the 1929 production. Prices now run around 20¢ in New York, were 65¢ in 1926, 45¢ in 1929.

Production at present prices is unprofitable for a great proportion of the mines and workings. In the Far East, many companies have turned the dredges and equipment over to their employees, who try to get subsistence out of them.

The drop in automobile production is in part responsible for the decreased consumption of tin; the automobile industry takes about 20% of American consumption, which in turn is half the world's total. Other metals have cut in, as their price has fallen. Aluminum foil and cellophane also have captured markets.

When you are their age—will you have money to come and go as you please?

Metropolitan Life's contracts afford a means to

—create estates and incomes for families

—pay off mortgages

—educate children

—provide income in the event of retirement

—establish business credits

—stabilize business organizations by indemnifying them against the loss of key-men

—provide group protection for employees covering accident, sickness, old age and death

—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

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THINK of your satisfaction in being independent, free to enjoy the days as they come, able to pay occasional visits to those you love, sure of a royal welcome—a burden to nobody.

You certainly will want to be freed from anxiety about money when you get to be 60 or 65. At that time of life you would be unwilling to ask for or to accept money from anybody.

If you had a regular, fixed income, you could look forward to years of contentment—responsibilities behind, leisure ahead.

Why not plan, now, for the time when you will want to have an assured monthly income? From the minute you start planning, every step that you take toward protecting your future will bring you added peace of mind.

Consult a Metropolitan Field-Man about Retirement Income Plans or write to

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.

Our Savings Tend to Run Steadily Ahead of Investment

11. The American Consumer Market —A Study by The Business Week

AMONG the most important, and by far the largest, item in that great classification of consumer expenditures which we call "savings" is the annual cash outlay of individuals for securities of all sorts, sometimes naively called investments. As listed in the tabulation of total individual savings in the preceding article (*BW—Jun29'32*) this kind of expenditure rose rapidly after 1923 and in 1929 reached the rather astonishing total of $8.8 billions.

If we exclude as special forms of investment customer and employee stock purchases under specific company plans, individual investments made abroad, and purchases of fraudulent securities, the remainder, representing direct purchases of securities by individual investors in the American market, amounted in 1929 to nearly $6 billions. This is the item in which the legitimate domestic investment market is most interested, and it is of some importance to analyze it somewhat more closely.

This field of financial statistics is of course a dark forest in which it is most difficult to find one's way because of the vastness of the scope of the data and the chaos and confusion which characterize it. It is necessary to approach the problem of estimating the amounts involved by indirect methods and to make many assumptions in the process.

The figures shown in the table accompanying this article, which form the basis of the estimates of individual security investments, are the best approximation possible from the available information for the period 1919-1930. They involve the basic assumption that the total of individual security investment represents the difference between the total of new security offerings, excluding refundings, and the total of new institutional, corporation, and foreign investments in the United States. If this assumption is not valid, there is no possible way of arriving at any estimate of individual security purchases.

The detail of the sources and treatment of the data cannot be adequately discussed in the space available here, but it should be noted that refundings have been excluded throughout; that for banks, insurance companies, trust funds, building associations, investment trusts, loans to brokers for "others," the figures represent annual increases, in some cases as of a particular date, in others on the basis of averages for particular dates in the year; and that new building financing excludes stock and bond real estate financing, which is presumably included elsewhere in the security offerings, as well as the equity or cash investment in ownership residential building, which has already been included as part of individual expenditure under the "Housing" classification. Some slight adjustments have been made in the figures so that the totals of individual investment vary a little from those published last week.

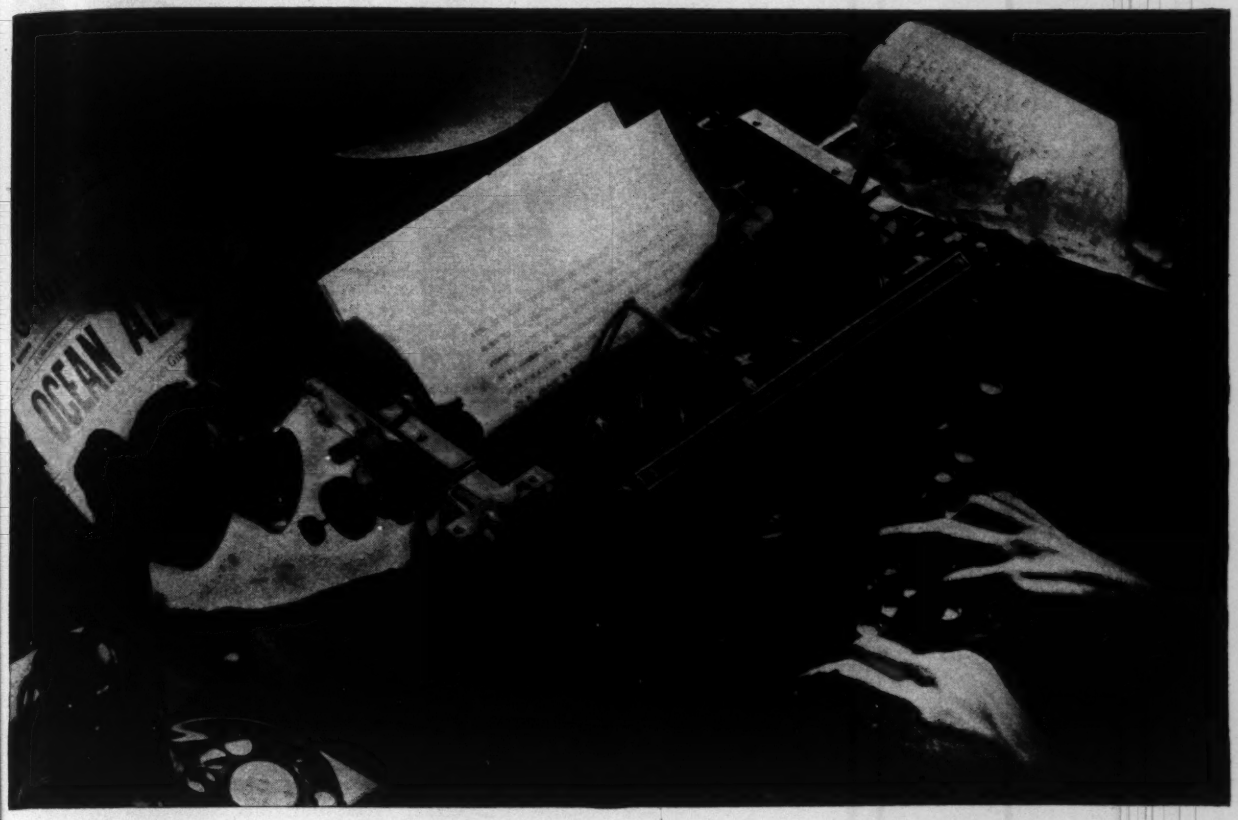
The outstanding feature of this anal-

Individual vs. Institutional Investments in Securities
(In Millions)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Institutional Investments												
Bank investments, security and real estate loans*	3,599	—1,995	—206	1,955	1,833	1,983	2,381	941	3,193	1,991	326	36
Insurance company investments and policy loans*	1,149	1,448	1,494	1,738	1,893	2,181	2,489	2,608	2,845	3,118	3,315	3,806
Institutional trust fund investments*	91	112	97	188	91	139	130	170	202	370	260	240
Building association loans*	228	408	356	452	600	823	744	768	825	860	650	877
Corporation investments*	2,380	2,115	695	1,647	1,929	1,421	1,935	1,499	1,239	1,200	1,800	1,700
Investment trust security holdings*	....	....	25	40	75	95	187	279	315	578	1,980	—586
Private loans to brokers*	120	—96	....	67	58	42	156	109	198	815	826	—1,634
Foreign investment in U. S.	350	290	235	521	663	635	822	1,047	1,337	2,196	2,123	1,817
Public debt retirement	1,190	1,429	1,516	1,749	1,890	2,198	2,170	2,579	1,519	1,362	2,137	1,323
Total	9,107	3,711	4,212	8,357	9,032	9,517	11,014	10,000	11,673	12,490	13,417	7,579
Security Offerings												
Domestic government securities	5,378	672	1,199	1,071	1,043	1,380	1,352	1,344	1,475	1,379	1,420	1,450
Foreign securities	362	448	560	712	399	896	1,014	1,085	1,281	1,188	660	862
Industrial	1,907	2,005	979	1,086	1,378	1,217	2,224	2,342	2,645	3,117	3,949	1,549
Railroads	117	322	353	524	465	780	380	346	505	364	547	797
Utilities	279	382	492	726	888	1,325	1,481	1,598	2,065	1,811	1,932	2,365
Financial flotations	....	....	....	....	....	....	15	71	175	787	2,222	233
Farm loan issues	110	....	122	344	337	179	169	91	87	64	....	87
Other private and local issues	2,000	326	....	2,835	2,875	1,970	2,236	2,188	3,766	4,663	6,399	....
New building financing	855	988	1,573	2,199	2,273	2,656	3,069	2,769	2,667	2,735	2,225	1,629
Total	11,008	5,143	5,278	9,497	9,658	10,403	11,940	11,834	14,666	16,108	19,354	8,972
Balance or individual investment	1,901	1,432	1,066	1,140	626	886	926	1,833	2,993	3,618	5,937	1,393

*Annual increases or decreases

"GET THE STORY!"



THE ceaseless search for significant news sent a Chicago Tribune man into forbidden Afghanistan for an interview with King Amanullah. Afghanistan was a closed country, the King was besieged by fanatical Moslem rebels who would kill a Christian on sight. But the Tribune "got the story" at first hand.

To "get the story" from Abd-el-Krim during the Riffian rebellion a Tribune man ran a naval blockade of twelve Spanish warships, was caught between trenches under murderous fire. But he "got the story" and brought Abd-el-Krim's peace terms to de Rivera, Spanish dictator, and to Tribune readers.

The world recognizes Tribune supremacy in "getting the story." That's why 17 European papers buy European news from the Tribune, why 27 newspapers in this country lease 20,000 miles of wire direct from the Tribune office to theirs, why many more American newspapers buy Tribune news regularly.

"Get the story. Get it right. Get it first. Spare no cost or effort." That's the enterprising spirit that goes with Chicago Tribune newsmen and women round the world. More than 11,000 writers contributed to the Tribune last year. It carried more pictures than any other news publication.

The Tribune's enterprise in getting the news and fearlessness in presenting it make this newspaper an authority with readers. It has earned the confidence and wholehearted support of Chicago and the midwest. That's why the Tribune penetrates every income level and has 61% more circulation than any other Chicago daily paper, over 167,000 more in city and suburbs than the next daily paper, and why it is the only daily paper covering all of the rich, compact Chicago market.

That's also why experienced advertisers who are looking for more than surface representation in Chicago say: "After all, if you're not in the Tribune, you're not in Chicago."

Let a Tribune representative tell you how Marshall Field, General Motors, General Foods, and other leading advertisers have made their way successfully in this great market.

"IF YOU'RE NOT IN THE TRIBUNE, YOU'RE NOT IN CHICAGO"

Chicago Tribune Offices: CHICAGO, Tribune Tower NEW YORK, 220 E. 42nd St.
ATLANTA, 1825 Rhodes-Haverty Bldg. BOSTON, 718 Chamber of Commerce Bldg. SAN FRANCISCO, 820 Kohl Bldg.

ysis is the indication that in most years, apart from periods of extraordinary security market speculative activity, like 1920 and 1929, direct individual cash expenditures for security purchases play a relatively minor part in the total of investment in securities. By far the bulk of the investment funds has come from institutional sources, chiefly insurance companies, banks, corporations, foreign investors and public debt retirements. In 1920 and 1929 individual investors apparently contributed most to the purchase of new security offerings. Otherwise the funds have come mainly from indirect savings, from bank credit, and from public debt repayment.

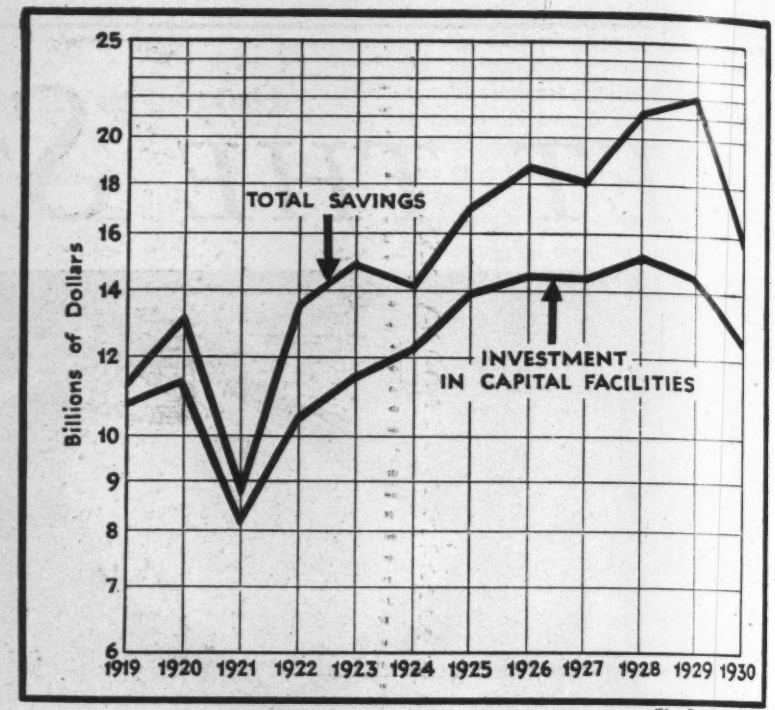
Local Issues Important

On the other side of the equation is the rather surprising indication, based on the statistics of stamp tax collections on new stock and bond issues, of the importance of private and local security issues, and the tremendous total of purely financial issues (investment trust securities) at the peak of the bull market in 1929. Note also that the high point of new building financing was reached in 1925, exceeding in that year —and for the only time during the period—any other class of demand for investment funds.

Apart from the interest of the security market machinery in the vast turnover of investment funds and securities involved, the most important aspect of this picture of pecuniary activity in our capitalistic society is in the question as to how much of the individual or institutional savings or investment funds—the surplus above current consumption —is actually invested, that is, used to add to the capital facilities that increase the national productive capacity. A complete and accurate answer to this question of the uses of savings and the balance between the accumulation of surplus funds and their actual expenditure in the purchase of capital facilities would supply a key to many of the perplexing problems of business, industrial, and financial stability; but only an approximate picture of the process is possible.

Fixed Asset Lnvestment

The chart accompanying this article presents estimates comparing the changes in annual investment in all forms of fixed assets or capital facilities with those in the total of annual savings from all sources, over the period 1919-1930. The annual investment in fixed assets includes that for industrial, commercial, public construction and residential building, industrial, business and office machinery, commercial furnishings, miscellaneous industrial equipment, small tools, farm implements, commercial trucks and motors, transportation equipment, and shipbuilding. The annual increase in working capital of corporations is not included, because this involves an indeterminate mixture of inventories and cash and security assets, so that the proportion of actual physical investment cannot be estimated. Savings include the estimates of individual savings presented in the preceding article, together with the annual increases in corporation surpluses, and foreign investment in the United States, less corporation investment abroad.



The Business Week

SAVINGS AND INVESTMENT—*That the two terms are not synonymous becomes apparent by a study of this chart which shows little correlation*

No Close Relationship

Although the statistical showing cannot be considered conclusive, the figures afford a fairly clear indication that there is no close correlation between the accumulation of investment funds and their actual investment in capital facilities. Savings apparently tend rather steadily to run ahead of actual investment, and over the period as a whole there was an accumulated excess of $39.5 billions.

Both savings and actual investment appear to move in waves, almost inversely synchronized, so that there are successive periods of accumulation of excess savings which perhaps provide the basis for security market booms. The discrepancy was most marked in 1928 and 1929, when for the two years an excess of savings over investment of $13.7 billions was accumulated. If this excess had been paid out in wages and for purchase of materials and so returned to the consumer market, it is a nice question whether the extremes of security market speculation in those years and the subsequent crash would have been experienced. But then the actual investment of this excess in expansion of productive facilities might have confronted industry with the equally perplexing problem of overcapacity.

Sound Pictures Used To Train Salesman

INTERNATIONAL CORRESPONDENCE SCHOOLS, of Scranton and a lot of other places, has worked out with Visugraphic Pictures, Inc., New York, a method of utilizing sound films with text to teach salesmanship. The new service is separate from the standard mail courses. I.C.C. now undertakes to develop individualized courses for the training of salesmen in specific plants or offices. The company believes that, in many cases, important points can best be emphasized by visible and audible movie presentation.

Wide Reading

THE PAY-AS-YOU-GO CITY. Ruben Levin. *Forum*, July. Milwaukee is trying something new in economy, government. An experiment worth watching; an example for debt-burdened cities.

SEATTLE'S JOBLESS ENTER POLITICS. Robert C. Hill. *Nation*, June 29. "Jobs, not charity," is the cornerstone upon which the Unemployed Citizens League builds its political power in the state of Washington. A sane, progressive slant on a current problem.

THE FIGHTING SPIRIT IN HARD TIMES. Gertrude Springer. *Survey*, June 15. Four thousand members of the National Conference of Social Work reveal just how bad the unemployment situation in the United States is.

CHARGING INTEREST ON SLOW ACCOUNTS. George Schweppe. *Merchandise Manager*, June. Merchants have long objected to financing their slow-pay charge customers, but Youngstown, Ohio, retailers have tried out an interest scheme that works. At ½% a month, one store collected $12,000 interest charges in 1931.

AMERICAN METHODS WIN FIGHT TO CONTROL RUSSIAN RIVER. *Engineering News-Record*, June 23. The whole story of the great Dnieper River dam, which has been built under American supervision.

DOMESTICATION OF THE RUSSIAN BEAR MAKES PROGRESS. John C. Cresswill. *Magazine of Wall Street*, June 25. Gradual concessions to capitalistic custom are apparent under the stress of economic pressure.

THE WAR IN THE FAR EAST. Karl Radek. *Foreign Affairs*, July. The editor of Moscow's foremost newspaper appraises the position of China, Japan, the United States, and the Soviet Union in the Far East. Pregnant, prophetic, authoritative.

CELESTIAL MODERNISM IN THE BANKS OF CHINA. *Fortune*, June. China's banking, with its background of personal probity, governmental dishonesty, military upheaval, and variable coinage.

THE RESERVE BANKS' OBJECTIVE. George W. Edwards. *American Bankers Association Journal*, June. Fundamentals of the Federal Reserve System's open market policy simply and succinctly analyzed.

GERMANY'S LOST GENERATION. William C. White. *Atlantic*, July. An interpretation of social problems among the younger Germans. Background for pending serious changes in the Reich. Written by an author who has studied in Russia, can draw comparisons and contrasts.

BOOKS

MONEY FOR TOMORROW. W. E. Woodward. Liveright, 315 pp., $2. Pulls the disguise of complicated explanations in dry phrases from the story of business. Snappy, thought-provoking, image-busting.

ECONOMIC POLICY FOR AMERICAN AGRICULTURE. Edward A. Duddy. University of Chicago Press, 150 pp., $2.50. A study of numerous regional plans for agricultural production. Considers foreign competition, taxation, shifting demand for farm products, credit problems, and a model plan.

BUILD PROFITS WITH *measured Lighting*

MEASURED LIGHTING **— correct lighting — builds profits by cutting costs, preventing errors. It decreases waste, spoilage, rejects . . . prevents accidents . . . employees work faster and better.**

Now, for the first time, you can reliably, easily determine, measure and maintain, the correct amount of light for every job, every location in your plant and office.

This outstanding advance has been made possible by the development of the Weston Illumination Meter — a simple, low-cost instrument that measures light directly in terms of foot-candles. Any maintenance man can use it.

Call in a Weston representative. Let him demonstrate how easily, how effectively, how economically correct standard of lighting may be maintained in your plant—a proven means to cut production costs.

Your public utility will gladly assist —survey your plant and chart the proper lighting for every spot in your factory and office. Then, with the new Weston Illumination Meter, correct lighting becomes a routine maintenance job.

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Simple, rugged, compact—the Weston Illumination Meter is completely self-contained—no batteries, no lamps, no accessories. Nothing to wear out or replace. Easy to use—one man can make a reliable illumination survey. It consists of Weston PHOTRONIC photo-electric cells and indicating instrument calibrated directly in foot-candles. Circular A-1 on request.

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4 BILLIONS a year for recreation . . .

Where does it all go?

WE Americans are strong believers in the adage about "all work and no play". More than that, we back up our belief in recreation by spending well over four billion dollars a year for it. That's why business men vie for the privilege of catering to our leisure hour desires. But just how much do you, as a business man, know about these desires? Can you, for example, answer such questions as these?

Do radio and radio-accessory sales fluctuate together?

Musical instrument and sheet-music sales?

Of the following three items — football, baseball, and night clubs—on which one does the public spend more than on the other two combined?

Do book and magazine sales suffer more or less in depressions than the general run of recreation items?

Has the sale of athletic supplies since 1919 risen as rapidly as the expenditures for golf-club dues?

Which was the peak year for movie admissions?

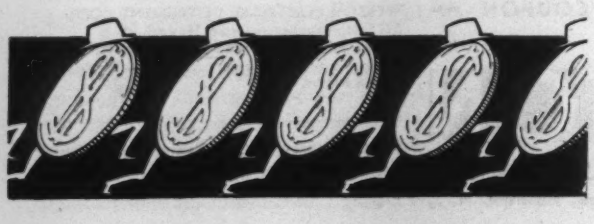
The answers to these and many similar questions, given in the twelfth article on "The American Consumer Market" in the July 13th issue of *The Business Week*, will change many of your ideas on the subject of America's recreation expenditures.

As this series of twenty articles unfolds weekly in *The Business Week*, it reveals, for the first time, a comprehensive study of *all* the expenditures of *all* the American people for *all* the years from 1919 to 1930.

Read the entire series. It will give you a better understanding of the trend of business as a whole, of what the future holds for individual industries. And, no matter what your business, it will give you many vital and hitherto-unearthed facts about *your* markets.

THE BUSINESS WEEK

330 West Forty-Second Street — New York City



Where are the Consumer's Dollars Headed?

You'll find the answer in the series of 20 studies of "The American Consumer Market" now running in *The Business Week*.

Wheat May Be Strong But Looks Weak in Face of Trade Prospect

CONTINUED weakness in wheat prices in face of indications of a decline in world production for this year is a puzzling feature of commodity markets. Commodity price averages have tended to be somewhat steadier in the past 2 weeks, but spot wheat prices are only about 4¢ above the low of last October and the July future has fallen to a new low at around 48¢. Since the high point for the year in April the decline has been about 15¢. This is true of European as well as American and Canadian markets. In the Southwest prices to farmers are at the low levels of 25¢ to 30¢ prevailing a year ago.

Statistical Position Ignored

Apparently forces depressing the general price level and impeding international trade are stronger than the statistical position of this commodity. The market response to the last crop report indicating a sharp decrease in the winter wheat crop this year was slight. The total crop, according to present indications, will be about 686 millions, as against 892 millions last year. This decrease of 200 millions is offset by a domestic carryover July 1 of about 365 millions—approximately 40 millions more than last year.

With normal exports and domestic consumption this would leave only a nominal carryover, and the domestic situation would be back to normal. Spring wheat is in good condition, except for threat of a grasshopper plague, and the out-turn may be larger than expected. There has been some planting of spring wheat in northern sections of the winter wheat region where crops were too bad to harvest.

Canadian Crop Larger

The Canadian crop, also spring wheat, is forecast at about 475 millions, 170 millions more than last year. Except for France, which promises the largest yield since the war, and Germany, which may export some wheat this year, European crops are expected to be smaller. The Department of Agriculture estimates that Northern Hemisphere production, apart from Russia and China, will be about 200 millions below last year and the July 1 carryover in the chief exporting countries, together with port stocks and floating supplies, about 15 millions less. Russian exports during the summer and fall are expected to be small, so that until the Southern Hemisphere supplies come in with the harvest of the new crop next winter, there will be no surplus and possibly some shortage.

There is a fairly good export demand for American wheat in spite of trade and exchange obstacles. The outgo during the first quarter was four times as great as the quantity exported in the same period of 1931, and 25% above the 5-year average. Despite lower prices the value of wheat exports was nearly three times as great as last year.

Container Rates Claimed Too High to Meet Trucks

DECLARING that rate restrictions imposed a year ago on the shipment of merchandise freight in steel containers have crippled an otherwise effective method of meeting truck competition, the New York Central has asked permission from the I.C.C. to make changes. It wants to substitute all-commodity rates based on a flat charge per 100 lb. for the commission's rule that the rate on the container-load shall not be less than the highest carload class rate on any article shipped in the container, with third class as a minimum.

The road demonstrates that its experience with the rates prescribed last July has been "most unfortunate." Merchandise tonnage handled in container cars showed a steady decline from the preceding year, by 58% last September, by 81% in April. The Central asserts the rate basis prescribed by the I.C.C. is discriminatory, as roads that do not use containers now are free to make all-commodity rates on traffic loaded in box cars, truck bodies, ferry trucks, and compartment cars.

Rates proposed by the Central are less than third class but the road believes that they will yield some profit while offering real competition to trucks. For the present the new rates will apply only on lines east of Buffalo where truck competition is the most severe. On traffic to New York the charge per 100 lb. on net weight, subject to a minimum of 6,500 lb. per container, would be 38¢ from Buffalo, 36¢ from Rochester, 33¢ from Syracuse, 29¢ from Utica, and 18¢ from Albany.

Other means resorted to by other roads to meet truck competition are keeping the I.C.C. on the jump. It is investigating a new plan of the Missouri Pacific and the Cotton Belt, which have filed tariffs under which they would absorb store-door delivery charges for the transfer of non-bulk carload and less-than-carload shipments over 6,000 lb. between the tracks of other roads and their own, and from and to their rails and shippers' platforms, docks, and doorways in several Missouri and Arkansas cities.

Congress Gets New Bill For Federal Bus Control

A NEW bill proposing federal regulation of buses has been introduced by Representative Rayburn, chairman of the Committee on Interstate Commerce. He announced he would not press it for passage at this session, but that it was introduced "for educational purposes," so that members would be familiar with its provisions at the next session.

The Rayburn bill seems to be the Couzens bill with Commissioner Eastman's suggestions added. Its rate-making provisions are broader than any previous draft that has received serious consideration.

Common carrier bus lines would be required to obtain certificates of public convenience and necessity issued without regard to the adequacy of rail transportation. Charter buses and both common carrier and contract trucks would be required to obtain permits. The permit system is intended primarily to produce information regarding truck operation on which to frame legislation for more comprehensive regulation.

Both common carrier and contract bus and truck operators would be required to carry insurance or post surety bonds for the protection of the public. Time on duty of common carrier bus and truck drivers would be limited to 8 hours but otherwise there is no provision in the bill governing safety or equipment.

The I.C.C. would lay down requirements on common carrier bus lines as to continuous and adequate service, uniform accounting, records and reports, comfort of passengers, transportation of baggage, and pick-up and delivery service, whether on regular routes or within defined localities or districts.

To preserve competition between common carrier bus lines and as between bus lines and the railroads, any consolidation or arrangement for whole or partial control would be subject to the commission's authorization.

Russia Looks Like a Good Risk To Germany's Eager Exporters

Their new contract with Moscow will hold $75 millions in orders that we could fill

GERMANY still thinks that Russia is a good business risk. Also, there is business in the Soviet Union and that isn't the case with many old customers. Consequently, Germany has just come to a new contract agreement with Moscow.

In the next 12 months, the Soviets will place orders with German plants for $75 millions of materials, mostly machine tools. Terms call for a 20% cash payment by the Soviets and the remainder in bills running for an average of 19½ months. The average for the previous large contracts was 21 months. Interest on the bills will be fixed at 2% above the Reichsbank rate with a maximum of 10%.

Gets Lion's Share

Germany has been doing the lion's share of the Soviets' foreign business for some time. When, early this year, the Russians had used up the $170 millions of export credits which the Reich had set aside for this business, orders slumped. It was known that the Germans planned to renew as many of these credits when they matured as they could, but some questions were raised by the country's creditors on commercial loans. In certain cases, the first big steel orders for example, no government export credit guarantee was granted outright but the manufacturers in Germany were given informal assurance that they would get the guarantee as soon as such amounts should be available.

In order to spread the amount set aside for these guarantees over as many orders as possible and thus increase the total volume of Soviet business, the guarantee has been reduced from 70% to 60% of the amount of the order. Also, the Reich is demanding that the companies receiving new orders present evidence that they will be able to finance the new business. Last year there were cases where the German manufacturers, because of general financial conditions in the country, were unable to finance the Russian paper to delivery.

Our Orders a Dribble

Where Soviet orders placed with American firms have averaged less than $1 million a month this year, Germany has received some sizeable business. March orders alone ran to almost $12 millions and April figures, soon to be released, are expected to exceed this amount. For the first quarter, they exceeded $43 millions, compared with $61 millions in the last quarter of 1931.

Steel Products in Demand

An important share of this new business is for steel products. In fact, German producers of bars, sheets, and pipes have been kept operating largely on this new Russian business. Orders placed early in the year exceeded 350,000 tons, with an option for another 150,000 tons. When the Germans agreed to take up this option in the middle of May, however, the Soviets were unwilling to go ahead with the business. Germans knew that the British were making a strong bid for it. Finally, the matter was settled with the Germans receiving additional orders for 125,000 tons. The Russians are demanding delivery of the first order not later than June, of the second in August and September.

Europe's currency problems are reflected in the new agreement. From now on, the Soviet Union will invoice all Russian goods exported to Germany in Reichs marks. The amounts which (under the existing foreign exchange regulations) German importers will be allowed to pay to the Soviets will not be determined in each individual case, but in the form of "contingents" within which the Soviets can draw upon German banks.

A Deal in Exchange

German exporters and manufacturers, on the other hand, will also bill the Soviets in marks for the orders. Thus Germany renounces her right to receive dollars and sterling for the excess of her exports over imports. The Soviets, in turn, are forced to buy mark drafts in countries where they have an export surplus (notably Britain and Holland).

Another aspect of the growing Russo-German trade is the concluding of a new agreement by which Germany lowers import duties on 20 items, most of which are imported from Russia almost exclusively. Important in the list are lentils, unfinished furs, casings, asbestos, caviar, and canned fish. The provisions naturally affect all countries with which Germany has a most-favored-nation clause but since the Soviets monopolize the markets in these products they will benefit principally.

There is a dual importance in this expanding Russo-German trade. In the first place, since the balance is largely in Germany's favor it is an aid to the Reich in building the foreign trade balances necessary to meet foreign loan obligations. In the second place, it is

Acme

SOVIET CITY DESK—*The staff of the Uzbekistan daily paper gets out a late city edition. Copies are lettered by hand, posted in public places*

giving to German manufacturers (particularly of machinery) a vast quantity of business which might otherwise go to skilled producers in other countries, particularly Britain, the United States, Sweden, and Belgium. This growing volume of business is behind the urge in this country for an American commission to visit the Soviet Union and report on trade conditions to American industry (*BW—Jun15'32*). It is becoming increasingly evident to certain manufacturers that news reaching this country of conditions in the Soviet Union is unduly pessimistic, that Germans are too shrewd business men to live next door to a prospective customer and accept his orders if they did not feel he was "good pay."

Britain's New Refinery Changes Copper History

COPPER has been making history rapidly in the last few weeks. The United States tariff, effective June 21, precipitated developments long in suspense.

The second move, and a portentous one, came in Great Britain when British Copper Refiners, Ltd., was organized. It is the first modern copper refinery to be built in Britain. Capacity will be about 50,000 tons a year. Blister copper from Northern Rhodesia will be utilized almost exclusively.

Important consuming interests in Britain are behind the project. British Insulated Cables, Ltd., and Roan Antelope Copper Mines, Ltd., share in the financing.

Commenting on the development, *Metal and Mineral Markets* says: "The project has been under consideration for some time, but the movement received its final impetus from the United States tariff on copper. British authorities on copper hold to the view that the world agreement on production and distribution of copper could not be made to function under changed conditions brought about by a tariff."

Copper authorities attach tremendous significance to the project. Britain has long been one of the major export markets for American refined copper. In fact, copper was brought to the United States from British controlled mines in Africa, refined, and shipped to Britain for final fabrication. British imports have averaged about 150,000 tons in the last 2 years, more than half of which came from the United States.

It is also probable that British interests are going ahead with a plan for an Empire agreement on copper, including

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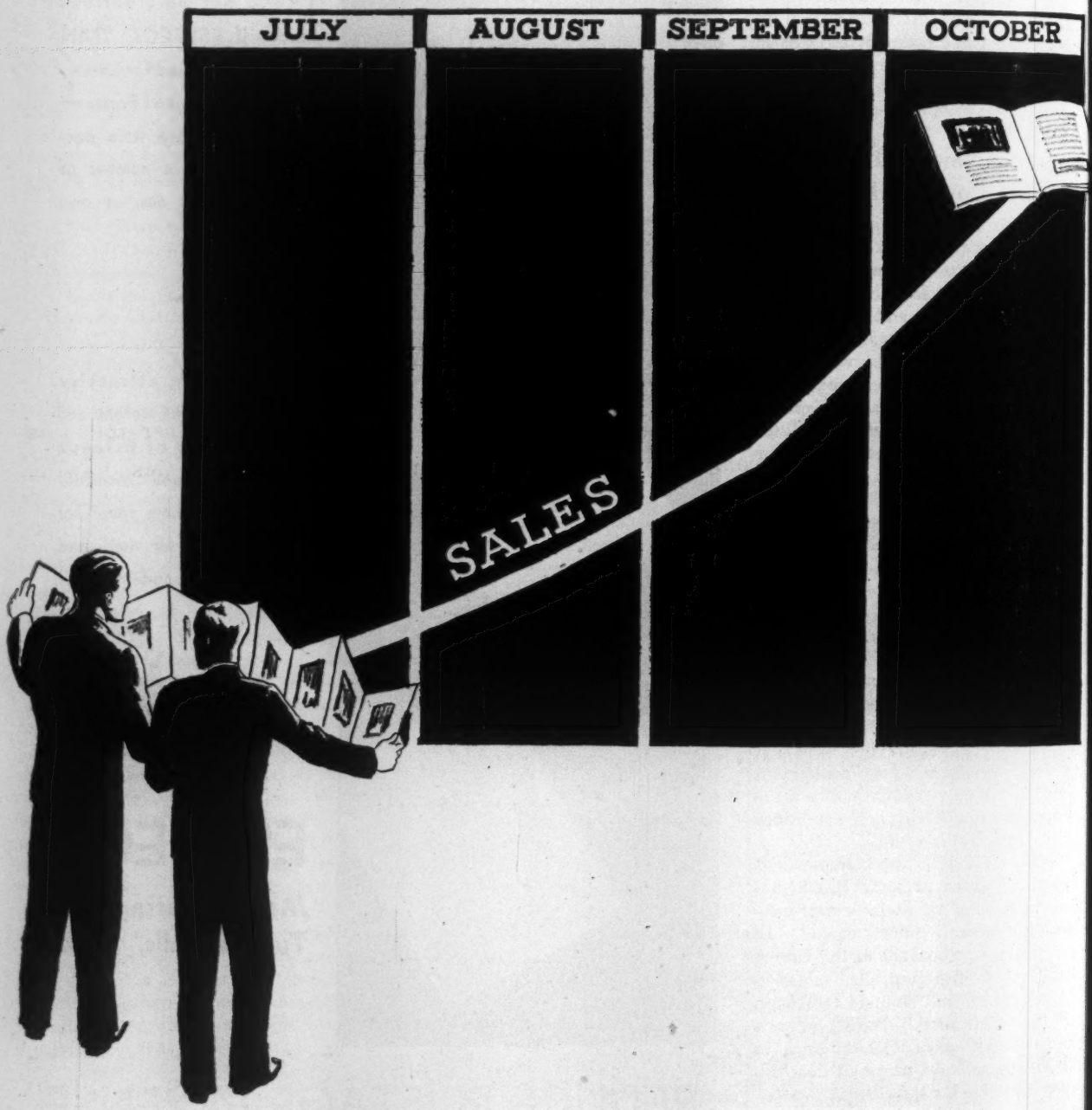


IT APPEARED . . . . .
this advertising sold valves

It was July, 1931. A leading valve manufacturer had just perfected a new and better valve. Business conditions were none too good. Yet this manufacturer had the courage to bring out his new product instead of waiting for "better times."

Here was a two-fold sales job. Before advertising could sell the valve-users, it had to sell the distributors and supply houses, and induce them to stock the product. With the competent aid of an advertising agency *a single campaign* was made to do both jobs.

The agency prepared this double-duty advertising three months in advance of its schedule. Portfolios were made, displaying and describing the whole campaign. The salesmen delivered these personally to the distributors. *And brought back orders.*

Six months after the advertising actually ran, the new valve was out-selling the old, two to one. A remarkable achievement, considering the fact that the old was still going strong.

* * * *

Any advertising agency man will tell you that there's nothing unusual in this case. Every agency, when the occasion demands, merchandises prospective campaigns and persuades dealers to stock the product. In like manner, the agency helps design the package, name the product, find new uses and markets, prepare dealer helps, and render a host of other services.

The modern advertising agency is a well-rounded sales-promotion organization with the experience and facilities to help with every phase of your advertising and sales problem. Many a manufacturer today is jumping many a difficult sales hurdle, thanks to the counsel of a good advertising agency. You can, too.

McGRAW-HILL PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

▼

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the fifth of a series of talks on the value of advertising agency service in the creation of sales-producing campaigns. We believe that a frank discussion of the basic jobs that the advertising agency undertakes will result in a better understanding of the advertising agency's functions.

▲

ENGLAND'S TARIFF WALLS

What Then?

RECENT economic trends have forced the issue . . . to make money in England, your merchandise must be "Made in England."

Tariff walls are rising. England's rejection of the gold standard puts America's exporting to England at increased disadvantage.

Yet, every trade difficulty is overcome by establishing a factory in England. We can help you find both building and location. Our files contain full information on wages, taxes, labor supply . . . floor plans and photographs.

This service is readily available at any one of our American offices and may be yours in *strict confidence* without obligation or expense. Simply indicate your interest . . . by letter or telephone.

LMS
GREAT BRITAIN

London, Midland & Scottish Railway of G. B.

[LONDON, MIDLAND & SCOTTISH CORPORATION]
Thomas A. Moffet, Vice-President—Freight Traffic
1 Broadway, New York City

a tariff on imports into Great Britain. This will be discussed at the Ottawa conference late in July. Those in the industry know that either Canada or Africa can meet the entire raw copper needs of the British. With their own refining facilities, the entire process may be taken out of the hands of Americans.

There is another catch. Union Minière, Belgian concern, is a third important factor in world copper circles. It is a supplier of Continental markets, has a definite foothold in Germany through financial holdings in the Hirsch Copper & Brass Works, at Eberswalde. But Imperial Chemicals (British) also has holdings in this German company.

The scramble for Continental European markets is likely to be keen. The British will probably go after some of them. Union Minière will make a strong bid. And United States interests with large mines in Chile and Peru will try to maintain their position in their old standbys—particularly France, Germany, Italy, and the Netherlands. In this three-cornered scramble, the price structure is likely to suffer, unless world consumption mounts much more rapidly than seems probable. Of course, with copper, there is always the possibility of a new world agreement.

Next move can be expected soon. It may come from Copper Exporters in this country, or from the discussions at Ottawa. And if Chile goes so far in plans for a socialistic republic as to take over the vast American-held copper mines, there may be a new bargainer on world markets.

Wave of State Capitalism Engulfs German Steel Trust

THE Soviet Union openly controls all major lines of trade and industry within the country. Mussolini and his government has a large voice in the business of Italy. But Germany has prided herself on the individual initiative of her business leaders. Only recently has the Reich stepped in and taken a controlling interest in business. Progress, recently, is startling.

It is the economic depression that is causing the development. The drain on the country's major banks last summer forced the Reich to lend a hand. Finally the banks were reorganized last winter with the government (protesting that it was only a temporary expedient) in control of the major institutions. Since last October 140 banks have received government aid.

Then the country's great shipping lines got into financial difficulty and the government was forced to come to their rescue. Subsidies to the Hamburg-American Line and to the North German Lloyd head the list of recent government grants to shippers. The Reichsbank provided a guarantee of more than $17 millions early this year to aid the pooling arrangement between the 2 companies.

Last week came the most startling example of government aid to industry. The Reich has bought controlling interest in the Gelsenkirchen company, famed unit of the great German Steel Trust. The Trust controls 25% of German coal, and 40% of German steel production. In official circles it was explained that the government's action was prompted by a desire to prevent French and Dutch participation in the German steel industry.

German industrialists are thoroughly aroused over the precipitate trend toward state capitalism. German railroads are a government institution. The Mansfeld Copper Co. operates on a government subsidy. It is the only great copper mine in Germany. Recently the DKW, Audi, Horch, and Wanderer automobile firms were merged and given a fresh start under a government subsidy of $1½ millions. Government subsidies for aviation in 1932 amounted to $5 millions. The famed Junkers company continues to operate due to government grants. Exports are aided by an export credit guarantee system which operates with a revolving fund of more than $250 millions. Farmers have been given large aid recently. Germany is famous for the socialized settlement areas which have been built under government supervision. Emergency decrees in December decreed maximum interest rates. Independent stores are protected by decree from encroachments by the chains.

Germany is undergoing tremendous social changes. There are not a few critical observers who anticipate that social unrest will break out openly this fall. Events have progressed far enough that world business is tensely watching each new step.

Business Abroad—Swift Survey Of the Week's Developments

Disappointment over Lausanne prospects is general. Hopes are shifting now to the British Empire Economic Conference at Ottawa later this month. The outlook is rather good for concrete, beneficial developments. Currency problems probably will receive serious consideration. . . . Germany is apprehensive of the immediate future. . . . France is delaying international negotiations. . . . Britain is still cheerful, unwilling to worry because of confidence that Ottawa will bring new business. . . . China is talking constructive progress, with foreign contractors listening eagerly. . . . Featureless trend foreseen in coming week.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Europe is accustomed to deal with politics at international conferences. Nevertheless, disappointment is widespread over the inability of statesmen gathered at Lausanne to reach beyond immediate national goals and arrive at some broad international understanding on the question of reparations. Business is accepting the unhappy situation with comparative calm as far as surface observers can see. Critics know that serious conditions in any number of countries may break if the sessions terminate with no real solution.

Germany, in particular, is in no position economically or psychologically to see the conference fail. The country's precariously balanced financial structure may not withstand the shock. "Standstill" creditors, gathered in London now, may be asked to consider suspension of interest payments on the frozen private loans. Serious political differences between the various states can easily precipitate troublesome internal strife. Prussia is decidedly at outs with the states to the south. The political breakup of Germany would put an end to any reparations question but it would probably be the beginning of far more serious troubles for all concerned.

The growing realization that nationalism stands in the way of every one of the problems which have been considered at recent conferences is causing new efforts to be made by business groups, dealing directly, to find a way out of the maze. This tendency is evident particularly in 2 developments. One is the rapid spread of organized efforts to systematize vast barter projects which can more or less ignore foreign exchange embargoes and which can most easily overcome tariff prejudices. To the long list of attempts which have been made to speed up this method (*BW—Jun15'32*) there was added this week a large French organization, chartered in Switzerland. Barter associations may become great international clearing houses which will perform the combined functions until recently delegated to banks and exporters.

The second prospect of a way out is the Ottawa conference at which members of the British empire (represented by business leaders) will try to solve their own economic problems. Backed at least by a semblance of political unity, by a common understanding of mutual problems and with similar temperaments, the conference has a greater chance to achieve something constructive than most.

Germany

Hopes in Lausanne lagging, and nothing encouraging ahead. . . . Political uncertainty spreads in Reich. . . . Markets depressed.

BERLIN (*Cable*)—Hopes for a Lausanne settlement which will be significant are fading, with "permanent adjournment" likely and this, possibly, with nothing further than a temporary solution of the problem. Business recognizes the merits of the Franqui plan for a central utilities holding company which would relieve German capital anemia, but it objects to the carrying out of this idea prior to general agreement on the cancellation of reparations. Otherwise, there is danger that assets will be misused for reparation purposes.

The conflict among the various Reich states has caused a wave of Communist rioting which is a strain on business nerves, already exhausted by the sequence of 2 presidential and 2 parliamentary elections within 4 months. The realization is spreading that the Hitler threat will take recourse to guerrilla warfare if necessary to defend itself.

The bond market is depressed by the hopelessness of Lausanne and by reports of a German plan for devaluation of private debts, although the official version of the plan applies to interest only, not principal. Apprehension over the security of mortgage credits is a new danger source to the bond market.

Great Britain

Business' tone good but orders lag far behind inquiries. . . . Industrial reports unsatisfactory. . . . Textile manufacturers plan fresh attack on Danish market. . . . New oil-coal fuel rouses interest.

LONDON (*Cable*)—The business tone in Great Britain is still good despite the prospect that Lausanne will accomplish no immediate results, and in spite of the reports from any number of industries that the improving volume of inquiries has not been followed with definite orders. Evidently most buyers are waiting for some more definite settlement of international problems before making commitments.

Trading on the Stock Market dwindled somewhat as it became evident that the Lausanne conferees had run into difficulties. People who are watching the trend carefully, however, declare that investment interest is broadening steadily. Industrial securities are becoming a little more popular again. Shipping shares spurted when Cunard attracted interest with its new cheap fuel experiments. Government funds are in demand with fresh talk of conversion operations. Money is plentiful at low rates. There have been few new issues.

Industrial news is not satisfactory. In the textile industry, the weavers voted by a scant majority to call a strike, but it is doubtful if leaders will go ahead without wider support. On the other hand, workers have made it plain that they will not negotiate with employers on the present basis.

More Textiles Exported

Textile exports, however, are holding up well above levels of a year ago. Exports for the first 4 months of this year were nearly 39% above those for the same period last year. Largest improvement came in the demand from India.

Manufacturers are already looking beyond the Ottawa conference, when they will turn again to their great export markets outside the Empire. An all-British exhibition is being planned to be held in Denmark early in September.

London statisticians have figured out that British textile manufacturers supply only 20% of the textile demands of the Danes, which total $50 millions annually.

Machine and repair shop workers are being increasingly affected by the slump. The plan of the 4 great trunk line railroads to work on a closely cooperative basis is causing a number of repair shops throughout the country to close.

Another example of industrial adjustment comes from Carlisle where the city abandoned, as too expensive for local needs, the entire tramway system in favor of privately operated buses. After operating for a year, the Ribble Motor Transport Co. reports a profit. Cooperation with long distance bus lines suggests possibilities for further refinement of the country's transport systems. In striking contrast was the announcement by the London, Midland & Scottish railway that preference dividends would be passed this year.

Considerable interest was roused during the week by the successful test of oil-coal fuel by the Cunard steamship line. In a test voyage, the *S. S. Scythia* used a new composition fuel made of 40% pulverized coal and 60% oil. The experiment proved completely successful. Costs are estimated at something more than 15% less than ordinary fuel. Coal companies foresee an "undreamed-of revival" if oil burning industries adopt the new fuel.

SEE THE FRIEND-LY JAP-A-NESE—*Shanghai's Japanese community is now concerned about Chinese good will. This illustration, taken from match boxes distributed in the occupied area in China's greatest port, shows a Japanese marine and a sailor giving candy to the Chinese children, who, according to the inscription, "dearly love the Japanese soldiers"*

France

Markets featureless following disappointing reports from Lausanne. . . . Exporters and bankers plan large-scale barter. . . . Import quotas increased July 1. . . . French Line losses are heavy.

PARIS (*Cable*)—No encouraging news came out of Lausanne this week and the French market reflected the disappointment of the business community. After closing slightly up last week, prices on the Paris Bourse reacted during the first of this week to gloomy conference reports, though losses were only moderate.

The informed Frenchman is aware that Germany and France are likely to get together some time on an economic program which will allow Germany to survive industrially and financially and which will appease French demands for further payments. The question now is: Can this agreement come before a further crisis is precipitated in Europe? Certainly Lausanne has failed to bring any immediate relief. Committees which probably will be appointed by the present conference may work out schemes but that will require time.

Serious attention is being devoted now to the planning of large-scale barter. It is still possible to overcome tariff barriers more easily than currency barriers. If barter transactions can be organized, only small amounts of money need be exchanged.

Paris is watching this new development with considerable interest. A large banking house has announced a plan for developing large-scale international barter deals operating through its own branch offices in other countries and through the offices of cooperating organizations. Special attempts will be made to exchange the goods from Central European and Latin American countries (where foreign exchange is most closely guarded) and the great industrial nations which need raw materials from abroad.

Another trade development is encouraging French industry. Import quotas are being revised. After July 1, many quotas will be increased from 10% to 30%. There will probably be bargaining with the increases so that countries specially favored will buy more French goods.

Far East

Constructive developments proposed by Nanking. . . . New projects offer opportunities to exporters. . . . Interest payments on China's foreign loans threatened by Manchukuo demands for Darien customs. . . . Yen exchange drops. . . . Rayon exports from Japan expand rapidly.

NEWS coming out of China is more encouraging than that from Japan.

In the first place, the usual spring civil war has not materialized with any gusto in China this year. Red activities are disturbing business in the western Yangtze provinces, but they are no more widespread than usual.

Aware of this improved domestic

condition, foreigners are listening with more than customary interest to plans which have been announced by the Nanking government for a large road-building program. The Nanking government is the nearest universal of any government in China, but it has by no means complete control over the vast area designated as "China." Wisely enough, the new plans project roads only in those regions where control is most effective. Shanghai and the great silk city of Hangchow will be connected by a highway this summer. It is nearly completed now. Then comes the highway to connect Shanghai and Nanking. The contract has already been let for an improved ferry service across the Yangtze at Nanking. Other highways will open up the West as far as Lanchow.

China's Construction Program

Paper plans have become almost a joke in China. These may be more paper plans, but some responsible business men at least think that something concrete will develop out of them. The Nanking government includes some able leaders. If civil war can be avoided, a fair volume of government funds can be diverted to national enterprises which may do more than any number of spring campaigns to establish Chiang Kai Shek and his followers as the only real government in China.

Engineering firms have been contacting Nanking for some time. Orders have come through sporadically for everything from airplanes to tractors. Now there may be some worthwhile business in the road-building equipment field. In Shanghai it is reported that the Chinese are going ahead with a contract with a German firm to construct a large foundry near Nanking. British representatives are making headway with their negotiations to build a sulphuric acid factory for the Chinese.

Shanghai Weavers Strike

Labor difficulties have developed in Shanghai. All silk spinners have struck for increased wages and shorter hours. Until now, they have been paid 20¢ for a 12-hour day. They are demanding 27¢ for a 10-hour day.

Banking interest is following the negotiations over the Manchurian customs. According to an old agreement, the maritime customs are pledged to cover certain foreign debt obligations. One of the most remunerative of the customs ports is Dairen. According to reports, the new Manchukuo government is threatening to seize these customs. Since they amount normally to about 20% of the customs revenue, foreign creditors are concerned. The outcome is important because of the guarantee involved, and because it will necessitate acknowledgement by the foreign powers involved which will in turn bring up the question of recognizing that Manchukuo is no longer a part of China.

Yen exchange dropped further this week making Japan's export trade less profitable but improving the country's competitive position abroad. Commodity prices moved upward more or less in the same degree that the yen went down.

Rayon exports, however, continue to hold up well. Volume and value gains made by this product in 1931 export business are continuing this year. For the first 4 months, volume of shipments gained 150%, value, 100%.

Small immediate business significance is attached to the shift in government in Siam this week. Though motivated by economic depression, particularly by depressed rice prices, the turn to a constitutional monarchy will not affect foreign trade.

Latin America

Socialistic developments less disturbing. . . . Chile returns Central Bank to old status. . . . Barter deals rumored. . . . Uruguay swaps with the Soviets. . . . Brazil imitates Reconstruction Finance Corporation. . . . Mexico sets up import penalty.

A GREAT deal of damage has been done by the socialistic developments in Latin America the last few weeks, but they are beginning to look less radical now. Business is preparing to move back, at least temporarily, into more normal channels.

The most reassuring event this week was the declaration from Santiago that the new Chilean government has returned the Central Bank to its former status of a privately controlled institution. Wall Street is still awaiting official reports from American diplomatic representatives, but is more hopeful of the outcome than a week ago.

There will be more socialistic developments, no doubt. Taxes have been increased, especially on incomes and inheritances. A moratorium has been declared on private debts. Under the ruling of the new government, creditors can collect only 5% of the amount due them for each of 2 successive periods of 90 days each. After that, the amount which is collectible in each period will increase to 10%. This applies only to secured private debts. Unsecured debts are to be collected at the rate of 20% in each 90-day period.

The fate of Cosach is still uncertain. New York officials are again in Europe but their business is not definitely disclosed. It is rumored both in Europe and in Chile that large barter deals are being considered through which Chilean nitrate will be traded for oil, coffee, sugar. It is expected, however, that, once organized, the new government will attempt to reorganize Cosach with control in Chile.

Argentine Exports Small

Argentine markets were dull during the week. Exports declined but the trade balance for the year is still favorable. Latest reports from Buenos Aires indicate that the 500 million peso internal loan is being taken up very slowly by investors.

Uruguay reports another deal with the Soviets. This time the Uruguayans have contracted for 20,000 tons of gasoline and 10,000 tons of kerosene. It is understood that 40% payment will be made in Uruguayan produce. Since the Soviet trading organization was driven out of Buenos Aires more than a year ago, it has been quartered in Montevideo and considerable business has been transacted with the Uruguayans. Recently, angry Argentine cattle raisers and hide exporters have demanded that the Argentine government invite the Soviets to return. A profitable hide business has gone largely to the Uruguayans.

Brazil Aids Banks

Brazil during the week has announced plans for the formation of an organization which, in its functions, will be similar to the Reconstruction Finance Corporation in the United States. This organization, which will operate under the direction of the Bank of Brazil, will be responsible for the mobilizing of a large fund which can then be utilized to aid domestic banks. All banks are required to deposit with the new organization all their cash reserves in excess of 20% of deposits.

Mexico Watches Imports

Mexico has instituted a new law, effective July 1, which demands that 5% of the value of imported merchandise be deposited with the Mexican consulate nearest the point where the goods enter the country. The purpose is to assure payment of import duties promptly. If not obeyed, the ruling provides for a fine of one-half of the deposit due.

Last minute disagreement over the sugar export quota plan in Cuba is a disappointment. Coffee prospects are still bright.

The Figures of the Week And What They Mean

Summer sluggishness now tends to aggravate the low level of business activity. . . . The approach of the holidays in July will see steel mills preparing for extensive shutdowns. . . . Automobiles and structural steel requirements show signs of tapering in an already thin market. . . . Construction activity in June may show the first downward trend of the year. . . . Electric power production failed to hold last week's level. . . . Commercial loans dropped sharply, but carloadings made further gains.

In spite of the low operating level that has characterized the steel industry since the beginning of the year, there was no escape from the further depressing influence of the customary summer lull. Activity, according to the *Iron Age,* has slumped to 15% of capacity, leaving the adjusted index at 23% of normal. In the following weeks the industry looks for an even lower rate since shutdowns beginning with the Thursday preceding July 4 are expected to be longer than usual. Some plants contemplate remaining closed until the middle of July, and at least one large independent producer will be closed for the month.

Even the chief mainstays of the steel industry this year—automobile and structural steel demand—appear to show signs of a waning vitality. A number of higher priced producers are contemplating entering the Ford–Chevrolet and Plymouth field, but the enormous cost of such a departure is a drawback. Nevertheless it is reported that Chrysler and Hudson-Essex are ready with new fours, that Willys has a 1,900-lb. car, and that General Motors is working on a new light weight 6-cylinder car. Production on the Chevrolet is expected to dwindle from 35,000 in June to 20,000 in September, when the 1932 line will be completed. Ford is expected to maintain output at 5,000 a day for a time.

Structural steel awards totaled 28,700 tons for the week, a fair showing, which included the last of the large federal projects in the national capital. Hoover Dam is at present the largest pending governmental project.

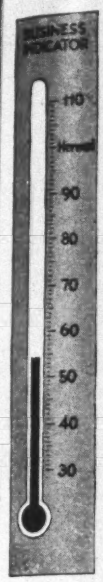
Railway Needs

Steel producers feel that improvement should lie in the field of railroad purchasing, but the recent report of the American Railway Association indicates that although the Class I railroads had a larger number of locomotives waiting repairs on May 1 this year than they had last year, they have also a larger number of serviceable locomotives than a year ago. Moreover the serviceable locomotives number 10,731, enough to replace the entire number of 7,851 unserviceable units. Freight cars undergoing or awaiting repairs number 218,303 against 162,966 on May 1, 1931. Conditions vary on individual roads, however. New York Central reports 33% of its locomotives in bad order, while the Norfolk & Western is said to have only 1.6% of its locomotives in need of repair.

In spite of the meager use of existing steel capacity in the past year, the American Iron and Steel Institute re-

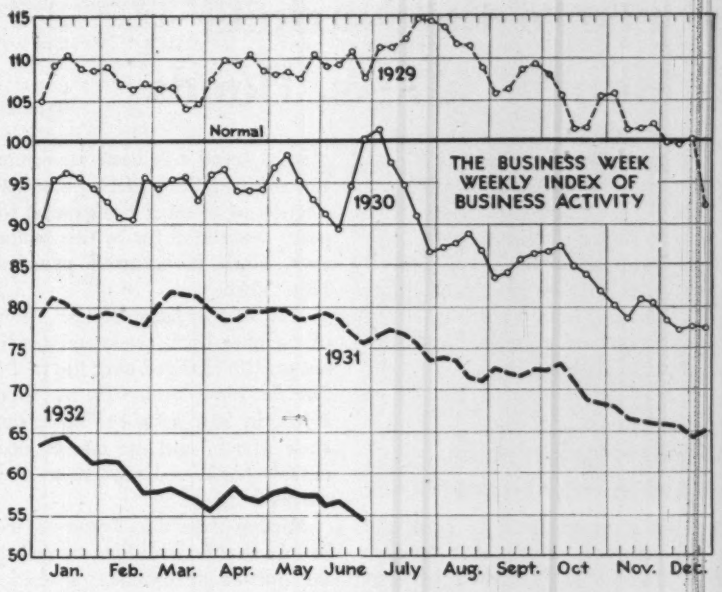
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*54.6	†55.8	75.5	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	15	16	33	67
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,584	$5,795	$12,580	$20,225
Bituminous Coal (daily average, 1,000 tons)	*667	663	1,106	1,365
Electric Power (millions K.W.H.)	1,441	1,442	1,635	1,585
TRADE				
Total Carloadings (daily average, 1,000 cars)	86	84	123	158
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	64	62	85	103
Check Payments (outside N. Y. City, millions)	$3,009	$2,847	$3,916	$5,457
Money in Circulation (daily average, millions)	$5,556	$5,485	$4,765	$4,701
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.43	$.46	$.60	$1.09
Cotton (middling, New York, lb.)	$.054	$.053	$.101	$.162
Iron and Steel (STEEL composite, ton)	$29.52	$29.52	$31.11	$34.55
Copper (electrolytic, f.o.b. refinery, lb.)	$.052	$.052	$.085	$.129
All Commodities (Fisher's Index, 1926=100)	59.5	59.3	70.3	88.8
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,313	$2,277	$957	$1,181
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,819	$19,087	$22,343	$22,129
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,519	$6,687	$7,837	$8,619
Security Loans, Federal Reserve reporting member banks (millions)	$4,778	$4,828	$6,703	$7,167
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$359	$402	$1,406	$3,532
Stock Prices (average 100 stocks, Herald-Tribune)	$75.14	$76.54	$124.34	$150.75
Bond Prices (Dow, Jones, average 40 bonds)	$70.08	$70.97	$95.38	$95.53
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	5.0%
Interest Rates—Prime Commercial Paper (4-6 months)	2½–2¾%	2½–2¾%	2%	4.1%
Business Failures (Dun, number)	629	613	422	437

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



ports a further gain in steel ingot-producing facilities of 1,401,860 tons. At the close of 1931 capacity was estimated at 68,298,956 tons. Pig iron and ferro-alloy capacity declined for the first time in many years.

Building Contracts

Building contracts through June 22 show no improvement over the first half of the month, except a minor one in the public works and utility group. The adjusted index for the week ended June 17 declined one point to 28% of normal. Total awards now aggregate $83.3 millions, a 25% decline from the daily average of May and almost 64% below a year ago.

Residential contracts now total little over $18 millions, a 7% drop from the May daily average and 66% below a year ago. Non-residential building likewise dropped further behind the daily average of the preceding month, and now lags by nearly 41%. The largest volume of contracts remains in the public works and utility field, with a total of $38.7 millions. But even at this rate, they run 17.5% below May.

Coal production showed very little change from the preceding week, but the lack of a seasonal rise lowered the index of 34% of normal. May production of both bituminous and anthracite coal declined from April, while most years show an increase.

The encouraging upward trend in electric power production that was apparent a week ago seems to have spent itself, for the week ended June 25 shows a slight downward tendency. The index remains unchanged at 72% of normal. The decline from a year ago increased to 11.9%, largely due to the upward spurt of output that occurred a year ago preceding the July holidays.

Carloadings for the week ending June 18 made the second consecutive gain since the holidays, which is largely attributed to tax influence. However, the gain was widely distributed over commodities not subject to the tax. Merchandise less than carlot declined, but this loss was offset by the substantial gain in miscellaneous freight. The adjusted index based on these 2 groups gained 2 points, standing at 55% of normal.

Check payments for the week ended June 22 declined 8% in New York City, but gained in the cities outside of New York. The irregular seasonal trend of the check payments caused a further decline in the index to 60% of normal for the 140 cities outside of New York.

Currency in Circulation

Currency circulation for the week ending June 25 rose to the highest point since March 12. Part of the rise may be attributed to seasonal factors, but the renewed outburst of bank suspensions may also have revived the hoarding fever.

Commercial loans fell off sharply on June 22 compared with the preceding week. Out of the total decline of $168 millions for the 102 reporting cities, $140 millions took place in the New York district alone. The adjusted index declined to 6% above normal.

Commercial failures for the week ended June 23 show a continuation of the upward trend since the holiday week of May. Bank suspensions are also becoming more numerous, particularly in Chicago where 24 banks closed between June 17 and 23. The recent outbreak of closings in Chicago brings the number of banks serving that community to fewer than 70 compared with some 225 which operated prior to the 1929 market crash. For the country as a whole, some 42 banks were suspended compared with 21 the preceding week. The report of the Federal Reserve Board on May suspensions shows a total of 77 compared with 71 in April and 46 in March.

Commodity Prices

General commodity prices showed signs of strengthening during the week ending June 25.

In the past week, gains in prices have been recorded by cattle, hogs, hides, and cotton. Sugar made notable progress until the Cuban export plan struck a snag on June 28. Corn lost early gains, while wheat was irregular. Rubber and silk continued downward, as did cocoa, coffee, silver, tin and zinc. Copper and lead were steady. The copper market received a severe jolt upon reports of the withdrawal of International Nickel, Chile Copper Co. (Anaconda), and Cerro de Pasco from Copper Exportera. After June 30 these companies plan to market their products outside the sphere of the export association. Oil prices rose following the requested cut in California production.

Trends of the Markets In Money, Stocks, Bonds

Chicago suspensions interrupt slow improvement in banking picture. . . . Federal Reserve forces further ease in money rates, as member bank credit contraction continues. . . . Security prices settle back to bear market bottoms as shorts prepare to test stability under pressure of poor business news and political uncertainties.

Easy-Money Drive Is Shifted to New Front

ANOTHER local epidemic of bank runs and suspensions, continued tendency toward member bank credit contraction and a shift in the easy-money strategy of the Reserve banks featured the financial situation in the past week.

The outbreak of banking troubles in Chicago, discussed elsewhere in this issue (page 6), seems to be an extension and possibly completion of the process of liquidation of an overexpanded and badly organized banking situation in that center.

The increase in currency in circulation last week was chiefly associated with the Chicago situation, although the general trend has been persistently upward during the past two months. Contraction of member bank credit was only partly accounted for by this factor, however, since it occurred principally in New York.

Despite this latest decline, the volume of member bank credit outstanding has not greatly changed over the past month. For the New York City member banks it has, in fact, remained fairly stationary since March, and the rate of decline in outside bank credit seems to have been checked.

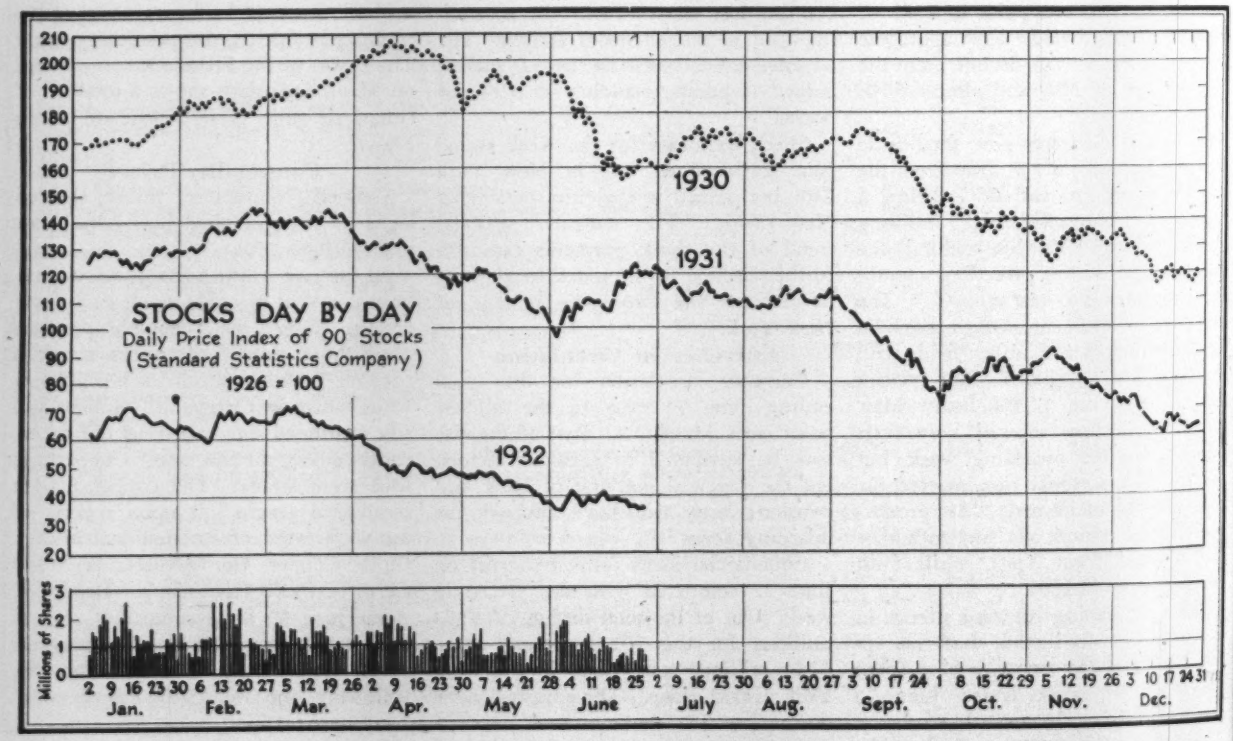
Further than this, however, it cannot be said that Federal Reserve policy along the line of open-market operations has been effective in stimulating any active expansion of member bank credit, and now seems by way of being abandoned. Purchases of government securities are being steadily reduced, especially since the gold outflow has ceased, and the emphasis in Reserve efforts is shifting to stimulation of member bank rediscounting and easing of money rates in the commercial credit field.

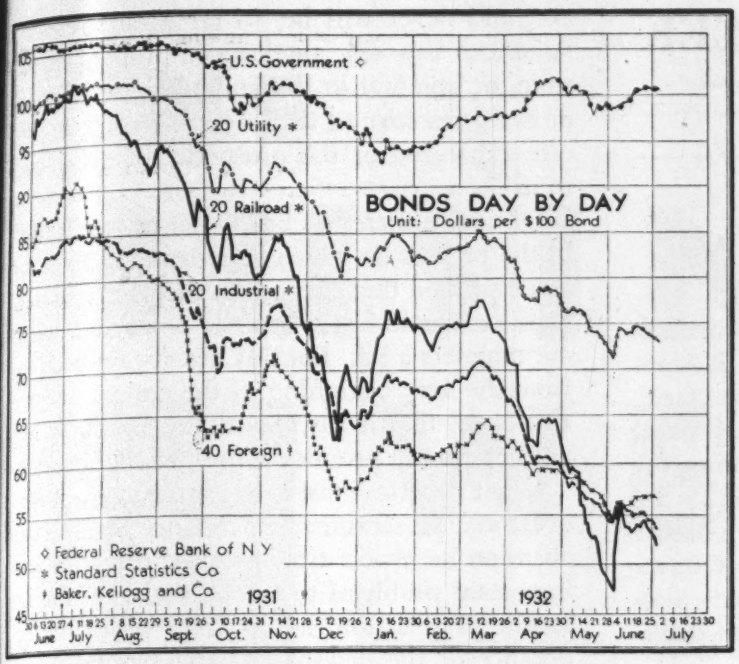
Reduction of the rediscount rate from 3% to 2½% in New York was not in itself of any special significance in the banking situation, since there is very little borrowing by member banks in that district and none at all by the New York City banks. But it was a symptom of easing of the strain on the New York money market with the cessation of gold exports which now permits the Reserve to push its easy-money policy a step beyond open-market operations.

Bill Rate Still High

The drastic reduction in the bill buying rate from 2½% to 1% was a more direct reflection of this policy, but it still leaves the Reserve rates above the actual market, and will not bring any large amount of bills into the Reserve banks' portfolio. Several dealers are quoting bills at ⅛% below the Reserve's rate, and commercial paper rates are tending to weaken. The Reserve authorities, through the local advisory committee of bankers and business men, are attempting to expand the commercial paper market and supplement the scarce supply of bankers' bills by stimulating the wider use of trade acceptances.

Gold movements in the past week have been of minor significance, with no further earmarking and some imports. Foreign exchanges were quiet and steady, except for the continued weakness in the yen, reflecting complete acceptance of an inflationary policy in Japan.




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N Y
* Standard Statistics Co
† Baker, Kellogg and Co
1931
1932
June July Aug. Sept. Oct. Nov. Dec Jan. Feb. Mar Apr May June July

Stock Market Awaits Test of Present Levels

THE month of June in the stock market showed almost no net change in the price averages. During the second half the gains in the first half were neatly wiped out, and through the last week stocks slowly but steadily sagged till they touched the June 1 lows for the bear market. Some of the leaders like Steel and A.T.&T. reached new low levels, but the averages were somewhat hesitant in breaking decisively through the bottoms established at the beginning of June.

The industrials and utilities made new lows, but the general averages were sustained by the rail group, which made a somewhat better showing in spite of the drastic decline in rail earnings reported for May—60% below 1931. Santa Fe passed its dividend for the first time in 31 years, and Norfolk & Western reduced, leaving only four active rails (C.&O., D.&H., N.&W. and U.P.) on a dividend basis, and only two (C.&O. and D.&H.) whose rate has remained unchanged during the depression.

Trading is still extremely slack and purely professional, but the pressure of liquidation is light. Several weeks of much-less-than-a-million-share days convinced the Street that it wouldn't miss much by taking a long Independence Day vacation. Movements are narrow and the market is apparently marking time awaiting new domestic and European political developments before testing the stability of present levels. The steady piling up of short interest indicates that such a test may be expected at any time.

Slow Liquidation Eats Away June Bond Gains

STEADY erosion under slow and scattered liquidation has eaten away about a quarter of the recovery in the bond averages since the beginning of June, when announcement of the New York bond pool sent the market up sharply. The pool is apparently not giving very aggressive support at this stage, but the pressure of liquidation is light. The banks are still on the selling side, though the volume is not large.

Lowering of the New York Federal Reserve rediscount rate had no stimulating effect outside of government issues, which have been strong in spite of prospects of larger federal borrowing for relief and deficit purposes. Support from Federal Reserve purchases of short-term issues is steadily diminishing as the Reserve authorities are shifting their easy-money policy from open-market operations to reduction of discount and bill rates.

The outstanding feature of the market in recent weeks has been the sharp rise in the Young and Dawes dollar bonds which are considered immune from any moratorium threats and favored by the certainty of suspension of reparations.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

July 6, 1932

Oh, Say Can You See?

ON Independence Day, 1932, the American people, especially the business part of it, does not present a particularly inspiring spectacle, sitting on its third thread-bare pair of pants complaining about "conditions," clamoring for "economy," appealing to panicky politicians for help, and expecting conversations of silk-hatted statesmen at Lausanne, London, Geneva, Ottawa or elsewhere, as well as platitudinous party platforms and machine-made candidates, to determine their future.

We can't blame Europeans for saying that America doesn't know what she is doing or where she is going, and for selling us short on the strength of it. Europe, of course, is not conspicuously expert in peace, prosperity, and progress, but there is just enough truth in her diagnosis of the American malady to make us ask ourselves what the deuce is the matter with us.

Obviously there is nothing organically wrong. The country is full of people, the people are full of desire for a better standard of living, the fields are full of food, the mines are full of minerals, the factories are full of machinery, the railroads are full of rails, the roads are full of automobiles, the streets are full of labor, and the banks are full of safe-deposit boxes full of money. We have all the makin's of a mighty good time for everybody here in America, and it's hard to believe that we are just too dumb to do anything with them.

On the score of moral ailments and sentimental weaknesses there is more to be said. America, of course, is also full of moralists, especially economic moralists, who assure us that we have been a sinful people in seeking prosperity, which is not only unsound but impossible, and that in this period of depression we are merely doing appropriate penance for our sins. So far as this publication is concerned, we shall continue to salute such analyses of the situation with serenades on the pig's whistle. There is not, and never will be, so far as any sensible American can see, anything improper, impossible, or immoral in the unlimited exploitation of every resource of this country for the indefinite expansion of the prosperity of everybody in it.

Of course there has been a lot of rough stuff in the process by which American business has accomplished this purpose in the past, and perhaps we should begin to settle down and polish our manners a bit. But this has always been so, from the very beginning of the nation, and we cannot see that it has played any especially important part in producing the present situation.

What America most needs at the moment is to overcome its sentimental tendency to self-pity, abandon its hypocritical pretense that it has no important problems to tackle, shake off the infantile phobias and anxieties to which the ignorance of the newspapers and the conceit of economists have subjected it, and recover its characteristic courage, common sense and candor, recognizing its vast resources and strength, realistically facing the problems that confront it, and refusing to be frightened by phrases.

The American people are not going to move out of the United States nor are they going to stand still in it. They are going to make, sell, and buy things and do business long after we are all dead, whether budgets are balanced, bonuses paid, Republicans or Democrats elected, gold standards abandoned, or reparations and war debts defaulted, paid, or cancelled. In fact there is no way known to the human mind in which it can stop being done by someone, in some way, on some terms, some place at all times, and those who are able, open-minded, and persistent enough to adjust their ideas to actualities are going to do whatever is done. All we need on this Independence Day is another handful of hard-boiled patriots.

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